FINANCIAL TIMES

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'Reforms, what reforms?'

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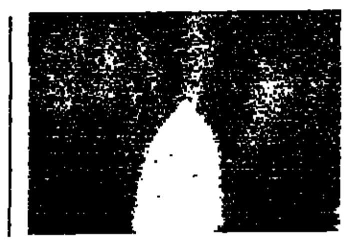

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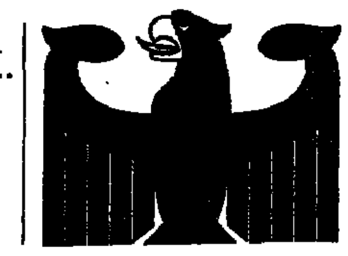

Germany

Kohl's struggle to stop Bonn boiling over

Peter Norman, Page 9

World Business Newspaper http://www.FT.com THURSDAY AUGUST 28 1997

Olivetti presses Bell over France Telecom alliance

Italian information technology group Olivetti is trying to force its US telecoms partner Bell Atlantic into a decision on broadening their alliance to include France Telecom. The issue comes to a head on Monday, with a shareholders meeting of Olivetti's Infostrada business to approve a capital increase for the fixed-line telecoms subsidiary of up to L170bn ($96m). Page 11

Bic claims tactical victory: French group Bic said it had won a victory in its battle to buy US fountain pen manufacturer Sheaffer, when a New York appeal court temporarily halted a rival bid from Sheaffer's management. Page 11

China sets party congress date: China's Communist party said it would begin its 15th party congress on September 12. The congress will set policy and elect the politicians who will lead China into the 21st century. Page 5

Fresh setback for Oerlikon: Swiss engineering conglomerate Oerlikon-Bührle suffered its second setback in a week when it announced an unexpected first-half net loss of SFr19m ($12.7m) because of an extraordinary charge on its US defence activities. Page 11

Tories criticise Princess Diana: The UK's opposition Conservative party criticised Diana, Princess of Wales, after she appeared to attack the former administration led by John Major. French newspaper Le Monde quoted her as calling his government "hopeless" over its failure to ban landmines. Page 10

Fidelity moves on Magellan: Fidelity Investments announced it was closing its Magellan fund – the world's largest open-ended investment fund with assets of $61.7bn – to new investors. Page 11

Toyota warns on Thai sales: Japan's leading carmaker Toyota warned that sales in Thailand could fall by up to 30 per cent this year because of the economic turmoil caused by the devaluation of the baht. Page 10

Matsushita profits up: Japan's leading consumer electronics maker Matsushita recorded a strong rise in pre-tax profits after a thorough rationalisation. Page 11

East Europe expects car boom: New car sales in eastern Europe are expected to rise strongly over during the next five years, as real incomes grow and import tariffs decline. Page 4

Surinam coalition falls: A row over government spending and the sacking of finance minister Motilal Mungra have led to the break up of Surinam's coalition government. Page 3

Egypt loosens grain import ban: Egypt eased its ban on imports of genetically engineered grain after intense pressure from exporters. Page 4

Zurich to fine polluting aircraft: Zurich airport has become the first in the world to levy extra charges on aircraft which pollute the atmosphere. Page 2

Daewoo to invest $1bn in Algeria: South Korea's Daewoo group promised Algeria's army-backed government that it would invest up to $1bn in the country. Page 4

Jurassic Pink: Dinosaurs may reveal their true colours after Australian scientists discovered pigment in fish fossils. They hope similar pigments may be in dinosaur fossils - allowing them to pinpoint the colour of the giant reptiles.

Hong Kong property demand still strong

Auctioneers at the first Hong Kong government land sale since the territory returned to China found strong demand for luxury residential property and continued confidence in real estate. One site at Repulse Bay on Hong Kong island fetched HK$5.55bn (US$717m). Page 5

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STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	7,734.14	(-48.08)
NASDAQ Composite	1,586.53	(-4.77)
Europe and Far East		
CAC40	2,871.70	(+2.44)
DAX	3,995.66	(+36.33)
FTSE 100	4,906.9	(+20.6)
Nikkei	18,441.94	(-373.94)

US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.239%
Long Bond	96⅝
Yield	6.631%

OTHER RATES

UK: 3-mo Interbank	7¼%	(same)
UK: 10 yr Gilt	101⅜	(101¼)
France: 10 yr OAT	99.51	(99.19)
Germany: 10 yr Bund	102.11	(102.19)
Japan: 10 yr JGB	107.6589	(107.330)

NORTH SEA OIL (Argus)

Brent Dated	$18.07	(17.895)

GOLD

New York: Comex		
(Aug)	$325.5	(325.7)
London:		
close	$324.75	(325.25)

DOLLAR

New York: lunchtime		
£	1.61255	
DM	1.80875	
FFr	6.0915	
SFr	1.4953	
Y	118.85	
London:		
£	1.6113	(1.6127)
DM	1.8104	(1.8005)
FFr	6.0873	(6.0695)
SFr	1.4971	(1.4992)
Y	118.855	(118.530)
Tokyo close:	Y 118.835	

STERLING

DM	2.9170	(2.9036)

9 770174 736142 35

Restructuring aimed at competing with merged US aircraft makers

Paris set to lift Airbus block

By Michael Skapinker in London and David Owen in Paris

France is preparing to lift its objections to restructuring of Airbus Industrie, the European aircraft consortium, according to industry observers.

Plans to turn it into a profit-making company capable of competing with Boeing of the US have been hampered by France's reluctance to allow Airbus to take control of French aircraft factories.

Industry observers say, however, that the socialist government in Paris is now ready to see Airbus take responsibility for the factories. Lionel Jospin, the French prime minister, is expected to tell Helmut Kohl, the German chancellor, during their meeting today that France is ready to give full support to restructuring the European aerospace industry.

German and UK industry executives yesterday welcomed indications that the French position had changed.

British Aerospace said: "We welcome any progress that moves the restructuring of Airbus forward."

A report published yesterday in the French newspaper Le Monde said the French government regarded the impatience of BAe and Dasa over the future of Airbus as "legitimate" and believed that the European industry needed to focus on confronting the competitive challenge posed by Boeing, which earlier this month took over McDonnell Douglas of the US to become the world's biggest aerospace and defence company.

Airbus – which is owned by Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, BAe and Casa of Spain – is a *Groupement d'Intérêt Economique*, a French legal construct which does not publish accounts or make profits or losses in its own right.

The four partners agreed earlier this year to turn Airbus into a profit-making company, which would allow it to make decisions more quickly and improve service. The partners believe the restructured Airbus could form the basis for a united European aerospace and defence industry.

Dasa and BAe have argued that it is essential for Airbus management in Toulouse to take control of all manufacturing facilities, but Aerospatiale has resisted the idea. The election of the Jospin government in June had thrown the consolidation of the European industry into further doubt.

The previous conservative French administration had planned to privatise Aerospatiale and merge it with Dassault Aviation, also of France, to strengthen France's role in negotiations about the future of the industry. But the new government abandoned plans to privatise Aerospatiale and Serge Dassault, head of Dassault, said he would not countenance a merger with a state-owned Aerospatiale.

Le Monde reports, however, that Paris believes it has found a way forward. The French government is considering transferring its 45.9 per cent stake in Dassault Aviation to Aerospatiale. Industry observers said this would result in an effective merger of the two companies in spite of Mr Dassault's objections, allowing France to play a full role in the future consolidation of the industry.

Industry executives said signs of a change in the French position on Airbus were apparent earlier in the summer at a meeting of the heads of the four partner companies.

Aerospatiale appeared ready to move towards agreement on turning Airbus into a limited company, the executives said.

Norwegian oil fund to invest worldwide

By Robert Corzine in Oslo and Jane Martinson in London

The Norwegian government's petroleum fund, the first big national investment vehicle to be created this decade, may take stakes in as many as 2,000 companies worldwide as part of a broad diversification policy.

Ten of billions of dollars in Norwegian oil revenues are expected to be channelled into the fund during the next decade or so as an insurance policy against the day when the country's oil reserves are depleted.

The fund will rapidly rank alongside the world's biggest national investment funds, such as the Kuwait Investment Office and the Saudi Arabian Monetary Authority, as well as rivalling the largest private pension funds.

The government is diverting investment abroad to ensure that the expected surge in oil revenues during the next four to five years does not swamp the domestic economy.

Officials in Oslo are preparing investment guidelines to be presented in October to the parliament that will be elected in next month's general election. Important elements of the investment strategy are now emerging.

Most of the funds will be put under passive management, with individual fund managers worldwide reporting to a single global custodian to be selected later this year.

Strict limits, to be announced in October, will apply to holdings in individual companies. Unlike other national funds, such as that run by Kuwait, there will be no attempt to build strategic stakes in specific companies.

Some of the funds will be actively managed, but they will not be allowed to breach the overall cap on individual holdings.

The government has rejected public pressure for the oil money to be invested along strict environmental and ethical lines. Officials stress that strict standards of transparency will be required.

"We must be assured that the money is invested in serious companies in parts of the world where business is run in a legal way, and where our concept of running a business is accepted," said Tom Therkildsen, the state secretary at the finance ministry.

Fund managers in the UK said that the fund had already started to seek managers who specialise in index tracking for the first wave of

Continued on Page 10

Helmut Kohl (centre), the German chancellor, helps Berlin mayor Eberhard Diepgen (right) lay a stone to mark the start of construction of the city's headquarters for industrial lobbying groups. His government is coming under increasing pressure. Simmering cauldron, Page 9 Reuters

Microsoft licensing deal wins Egypt aid on piracy

By Mark Huband in Cairo and Alan Cane in London

Microsoft, the US computer software group, intends to contract out production of Arabic versions of its programmes to Egyptian manufacturers if the country's government honours a new commitment to combat software piracy.

It is the first time the US group has attempted to strike such a deal and may set a precedent for fighting global software piracy, which has been a persistent problem for technology companies in emerging markets.

The Business Software Alliance, which represents the industry's interests, says pirated material accounts for 88 per cent of the software in use in Egypt – a loss to the industry there of $18m in 1996, and $511m in the Middle East as a whole.

After three months of negotiations with Microsoft, Ahmed Goweili, Egypt's trade minister, agreed to enforce copyright laws and act against the piracy.

Sharon Bailey, Microsoft's anti-piracy manager for Africa, the Middle East and Mediterranean regions, said the agreement to produce Arabic versions of its software would be with one company which would be responsible for production and distribution. She would not name the company because final contracts had not been signed.

She said that while the Egyptian deal was a "one-off", rather than a general strategy, the company was interested in working with governments in the region.

As part of the agreement, Microsoft, which already provides the Egyptian government with software for schools at reduced prices, will provide software for computer training courses which can be legally reproduced on 20 personal computers.

The BSA, along with the US Federal Bureau of Investigation, held training courses last

Continued on Page 10

Russia strengthens Chinese ties with $100m arms deal

By Chrystia Freeland in Moscow

Russia's burgeoning friendship with China was strengthened yesterday by the visit of a senior Chinese general who concluded a multi-million dollar arms deal with his Moscow hosts.

In recent months, the Kremlin, dismayed by its failure to be accepted as a full member of the western club of developed nations, has vigorously cultivated ties with the Middle East and Asia.

A growing relationship with China has been the centrepiece of Russia's new eastern emphasis. Jiang Zemin, China's president, visited Moscow in April. Boris Yeltsin, the Russian president, plans to travel to China this year.

"Relations between Russia and China are positive as never before," Viktor Chernomyrdin, the Russian prime minister, said during his meeting with Gen Liu Huaquing.

Russian news agencies said that, during his visit to Russia, Gen Liu, a member of the powerful committee of the Chinese politburo, had signed a contract with Rosvoruzheniye, Russia's recently revamped arms organisation, for the delivery of armaments worth more than $100m.

The deal is part of the swiftly growing weapons trade between Moscow and Beijing. Russia has sold some $1bn worth of weapons to China over the past year, accounting for about 30 per cent of its booming arms exports.

During their meeting yesterday, Mr Chernomyrdin and Gen Liu discussed further military co-operation, including deliveries of spare parts for Russian military aircraft already purchased by the Chinese, and the transfer of Russian licences that would allow China to build the Sukhoi Su-27 fighter jet.

Gen Liu, whose visit to Russia is scheduled to last for 10 days, is expected to visit military factories across the country, travelling to the Urals capital of Yekaterinburg, the Siberian academic centre of Novosibirsk and the far eastern city of Khabarovsk.

Russia continues to place high value on its ties with the US and Europe, and attached great importance to its almost total inclusion in the summit meeting this summer of the Group of Seven industrialised nations. But the Kremlin is increasingly seeking ways to counterbalance the west.

Growing ties with Moscow offer the same enticement for China, whose president, Mr Jiang, told the Russian leadership during his spring visit that together the two countries could help prevent the emergence of a single "hegemonic" world power – a remark observers believed was aimed at the US. However, Russian-Chinese relations are troubled by continued friction along their border.

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Air transport groups condemn move ☐ Fees to be based on emission of air pollutants

Zurich to charge dirty aircraft more

By William Hall in Zurich

Zurich, Switzerland's number one airport, has become the first in the world to charge extra for aircraft which pollute the atmosphere, and Geneva airport is expected to follow shortly.

Zurich is introducing new landing fees linked to levels of engine emissions from September 1. Aircraft which meet certain standards will benefit by a 5 per cent reduction in landing charges, but excessively dirty aircraft face an increase of up to 40 per cent.

Fees depend on size of aircraft, but a typical jumbo jet pays around SFr3,500 ($2,330). Jets which meet the standards will benefit from a SFr175 cut in landing charges, while the dirtiest aircraft will have to pay up to SFr1,400 extra.

Zurich's decision, which has the backing of the Swiss government, was condemned yesterday by the International Air Transport Association (Iata), which said that it set a "dangerous precedent". It threatens worldwide efforts to standardise emission limits and ignores concerns raised by Iata and other organisations.

Iata said there was no clear evidence that the air quality surrounding Switzerland's two biggest airports was suffering unduly, and the criteria which the Swiss proposed to apply were "scientifically unsound".

The Swiss want to introduce the new landing charges in order to speed up the introduction of aircraft engines with low pollutant emission rates. However, the International Civil Aviation Organisation (ICAO) specifies that countries should refrain from imposing restrictions and other penalties that would encumber aircraft that meet recommended international standards and practices.

There will be five categories of landing fees, depending on engine emission, and Zurich estimates that just under half the aircraft at the airport will benefit from a reduction in landing charges. Only 2 per cent of the aircraft will face the maximum surcharge.

The only other country to attempt similar action was Sweden, which tried to levy charges related to carbon dioxide emission on flights within the country. The idea was dropped because it infringed European Union rules. However, it is understood that Sweden is reassessing the situation and might introduce its own version of Switzerland'e emission-related landing charges next year.

Zurich stressed that it would not raise any extra income from the new charges. However, it is understood that Swissair, which accounts for nearly half of Zurich's traffic, will be the main beneficiary of the new charges.

Swedes to hold eugenics inquiry

By Tim Burt in Stockholm

The Swedish government yesterday announced a public inquiry into allegations that up to 60,000 women were forcibly sterilised in a 40-year programme of "ethnic cleansing".

A special commission set up by the Ministry of Social Affairs will investigate claims that thousands of women with learning difficulties or from non-Nordic ethnic backgrounds underwent sterilisation against their will between 1935 and the mid-1970s.

Margot Wallstrom, Sweden's social affairs minister, is today expected to disclose details of the inquiry and deliver the government's initial response to suggestions that the ruling Social Democrats sanctioned the sterilisation policy during the party's previous administrations.

In Oslo, meanwhile, a Norwegian government spokesman yesterday disclosed that a state-funded research programme had been launched to clarify the extent of forced sterilisations in Norway.

Although the government has rebuffed claims that up to 40,000 women underwent forced sterilisation during experiments into "racial cleansing sciences", it admitted that about 2,000 men and women were sterilised against their will in the 40 years up to 1976. Most victims were said to have mental illnesses, but officials confirmed that members of the Tater community – a poor itinerant group – were also sterilised.

The history of Norway's sterilisation policy is being examined by sociology researchers at the University of Trondheim, who are expected to deliver their conclusions shortly to Hill-Martha Solberg, the country's minister of health and social affairs.

The racial cleansing policies, first launched in 1935, were said to have targeted "inferior" racial types to encourage the proliferation of Aryan-dominated communities. Swedish government officials said that the inquiry would also deal with the question of financial compensation for men and women sterilised against their will.

● Swiss doctors sterilised mentally handicapped patients against their will under a law passed in 1928, a copy of which was requested by Adolf Hitler, a Swiss historian said, Reuters reports from Geneva. Hans Ulrich Jost, a professor of history at the University of Lausanne, said on Tuesday that many people – nine out of 10 of them women – were affected by the campaign, in the canton of Vaud.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

P.

Norway's coming oil cash wave

Robert Corzine on a strategy for turning petroleum into pensions

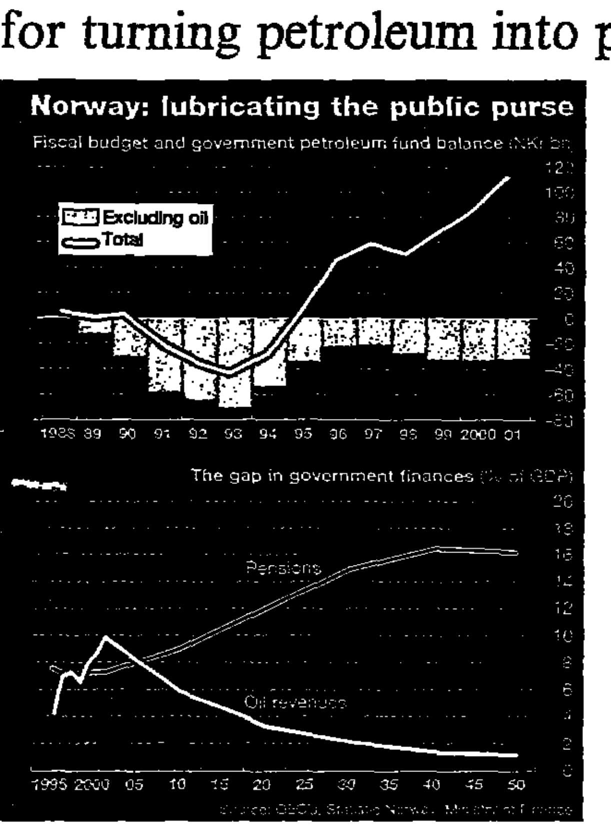
Norway, a country which frowns upon conspicuous consumption and retains more than a streak of puritanism, is facing an embarrassment of riches. Over the next decade or so, a predicted surge in oil revenues will transform the financial status of the country, which is now the world's second largest oil exporter behind Saudi Arabia.

But with an economy that is already close to overheating, officials fear that a sharp rise in public spending based on higher oil revenues could wreck a carefully orchestrated recovery of the non-oil economy.

Although demands for higher public spending are prominent in the present general election campaign, most politicians accept that a buffer must be maintained between the "offshore" and "mainland" economies, which respectively account for 15 per cent and 85 per cent of gross domestic product.

"The 15 per cent that represents oil is not enough to save the economy from a serious setback," said Tom Therkildsen, state secretary at the finance ministry. "But it is enough to destroy."

The buffer between the two is the state petroleum fund, which is intended to absorb surplus oil revenues and invest them abroad against the day when Norway's oil and gas production wanes. It is seen as one of the main supports in the next century for Norway's ambitious pension and social welfare programmes.



But a decision earlier this year to shift as much as half the fund from low-risk, high-liquidity bonds and bills to equities has caused considerable debate as to how the new fund should be structured and what role it will play in international equity markets.

Although details of how much money will be allocated to individual markets around the world will not be published until October, well after the the general election on September 15, government thinking on the main issues appears well advanced.

What is not so clear, however, is just how big the fund will be. Officials in Oslo tend to downplay its potential international impact. They suggest it will reach a total of between NKr110bn and NKr120bn ($14.5bn-$15.8bn) by the end of this year, or almost 10 per cent of Norway's GDP.

But even the normally cautious official forecasts show government revenues from the petroleum sector rising strongly in the next few years, from around NKr70bn in 1996 to nearly NKr127bn in 2001.

The pace at which the fund grows will depend on an annual decision by parliament to allocate oil revenues between the fund and the national budget. This year, about three-quarters of the estimated NKr79bn of the government's oil-related cash flow will go to the fund, because of the buoyancy of the non-oil economy and restraints on public spending.

Assuming that the non-oil economy remains relatively robust, the fund is likely to grow quickly over the next decade as Norway's oil production rises to a new plateau of around 3.7m barrels a day by 2000 and stays there for several years.

Government studies suggest that within 20 years or so the fund could represent perhaps 130 to 150 per cent of a projected NKr2,000bn GDP. "That will be a large fund," one official acknowledged.

Some observers say the government is too cautious in its estimates. Earlier this week, petroleum ministry officials expressed optimism that oil production might exceed official forecasts. Mr Therkildsen admits that the size of the fund "could go even higher". But he warns that it "could also go substantially lower", depending on oil prices and how much oil money is shifted to the domestic economy by future governments.

Critics of the plan to invest in equities say it will be impossible to separate the operation of such a large fund from Norway's broader trade, commercial and foreign policies. Mr Therkildsen disagrees. "We're trying to keep foreign and trade policies out of the fund," he says. "That would be overloading it with conflicting goals."

Officials believe the mainly passive nature of the fund should help to avoid any conflicts of interest. There will be no strategic shareholdings and strict limits will be placed on holdings in individual companies. The fund is likely to wind up with holdings in between 1,000 and 2,000 companies worldwide, because the emphasis is on as broad as diversification as possible.

Trapped by the Kremlin's bold market reforms

Chrystia Freeland visits Turukhansk, Siberia, whose inhabitants call themselves the 'prisoners of the north'

This far north, the Kremlin's promises of economic revival, so credible on the booming streets of Moscow, seem like a bad joke.

"Reforms? What reforms?" thundered Ivan Khokhlov, head of the regional administration of Turukhansk, a remote area in central Siberia. "We've reformed into a country of criminals. If you're honest in this country, you are poor and robbed. If you are rich, you are a thief and in power!"

Such diatribes are commonplace in towns such as Turukhansk, a desolate settlement on the banks of the mighty Yenisei River in Krasnoyarsk Province.

Lured to the far north under Communism by high wages and the dream of a comfortable retirement in more temperate climes, the inhabitants of Turukhansk and hundreds of similar towns have been trapped by Russia's bold market reforms, which wiped out Soviet-era savings and undermined the centrally planned economies of many northern regions.

Today, they call themselves "prisoners of the north", and many of them will never leave.

In contrast to residents of Moscow and some other big Russian cities, the people of the far north have not yet benefited from the transformation which liberated the country after seven decades of Communism.

Living in hostile regions chilled by permafrost and nine-month winters, the citizens of the north are the human detritus of central planning.

Like the huge, now often silent, industrial behemoths which dot the Russian landscape, many northern towns are uneconomical in a market economy.

But unlike factories, human beings cannot simply be closed down and, for now, the Kremlin lacks the money to resettle all the hundreds of thousands of prisoners of the north in gentler provinces.

"Every day, I have women coming to me, sobbing, saying 'Please give us money, we cannot feed our children'," said Mr Khokhlov, whose mop of white hair and wild blue eyes lend him the look of an Old Testament prophet. "We are barely surviving."

> 'We've reformed into a country of criminals. If you're honest, you are poor and robbed. If you are rich, you are a thief and in power!'

The desperation is apparent on the gloomy streets of Turukhansk. Ramshackle wooden cottages and crumpled Soviet apartment blocks hug deeply rutted dirt roads.

Cars are rare in this town, which is connected with the rest of the world only by the river - for the few months when it is not frozen - and by rickety Aeroflot aircraft. Instead, people walk, or ride in ancient motorcycles with wobbling sidecars.

The harsh Arctic climate adds to the misery. In towns in central Russia that depend on inefficient factories, local people stave off absolute poverty by living off the produce of garden plots.

But gardens are a less certain salvation in the far north, where onions, lettuce and cabbage are the only reliable crops, and potatoes can be coaxed to grow only by gardeners lucky enough to discover an island of thawed land in the permafrost.

Turukhansk's fish-canning factory, which once employed much of the town, is now abandoned, driven out of work by cheap food imports.

The town lives primarily on hand-outs from Moscow and Krasnoyarsk, the regional capital.

But because of the parlous state of Russia's public finances, the money is slow in coming, so Turukhansk has reverted to a non-cash economy.

Shops, the local government, even the small airport, all collect payment for goods, services and even taxes through an elaborate system of written accounts.

"We've almost forgotten what real money looks like," said Yevgeny Kozhevnikov, deputy head of the regional administration.

Rendered obsolete by Russia's market transition, many people of the far north look back with nostalgia to the Communist past, when their settlements were so painfully created.

Margaritta Sukhova, a pensioner in her mid-70s, was sent by Communist planners to Igarka, a town north of Turukhansk, in the early 1950s just after graduating from a meteorology institute in St Petersburg.

"It was mostly a place of imprisonment and exile, so we all worked alongside one another, the free and the imprisoned," Ms Sukhova said of her youth, when most of Igarka's inhabitants were sentenced to live in this inhospitable place by Stalin. "We all lived badly together, so we were friends. It is when some are rich and some are poor that you have problems."

The vast timber factory which once employed tens of thousands of people in Igarka has been forced to a standstill today by prohibitive shipping costs. The town is a graveyard of huge, grey piles of slowly rotting wood. Yet Ms Sukhova believes she will never leave Igarka, and remains a committed communist.

"The youth want us to take our Lenin statue down, but we say, for one thing, it is our history, and secondly, we haven't yet found anyone good enough to replace him," Ms Sukhova said staunchly.

Other northerners are more optimistic. Vitaly Ivanov, a photographer from Krasnoyarsk who spends much of his time in the Arctic, is confident that "in five years, there will be a rebirth of the far north".

His wish would probably seem perverse to the prisoners of the north, who can only dream of the day the Russian federal government grows rich enough to implement its ambitious resettlement programme. But if the Kremlin makes good on its promise, then perhaps the far north will again become a region of adventurers, not of captives.

France firm on interest rates

By Andrew Jack in Paris

No "automatic" link existed between German and French interest rates, despite the close connection between the two countries' economic policies, Jean-Claude Trichet, governor of the Bank of France, said yesterday.

In a radio interview, Mr Trichet said decisions on rates were made uniquely by the bank's politically independent monetary policy committee, in the interests of preserving confidence in the franc. But he noted there were "tight links" with the Bundesbank, if only because "within less than a year our two currencies will be called on to merge".

Echoing signals from Dominique Strauss-Kahn, finance, economics and industry minister, Mr Trichet said it was possible France's budget deficit as a proportion of GDP would not exceed 3 per cent, meeting one of the criteria for European monetary union.

He made his comments as the finance ministry in Paris indicated that public expenditure would increase by 1.5-1.6 per cent in 1998, slightly ahead of government predictions.

Mr Trichet said any growth in wages should be restrained "to have the best possible means for long-term growth and employment". These factors would be impeded by any increase in unit costs related to a cut in working hours.

His comments follow increasing signs of tension over the leftwing government's employment policy, after the Communist-linked CGT union called for demonstrations and even strikes to raise salaries, create jobs and reduce working hours without pay cuts. Details of the government's working hours legislation are likely to be finalised next month.

EUROPEAN NEWS DIGEST

Italy tries to placate Greece

Italy sought yesterday to defuse a row with Greece and the Greek Cypriots by saying it recognised only the Cyprus government and not the breakaway Turkish Cypriot north of the island.

The foreign ministry added in a statement that accession talks between the European Union and Cyprus would help overcome the division of the Mediterranean island.

Lamberto Dini, Italy's foreign minister, sparked a storm on Tuesday when he suggested that EU membership talks should involve both the Cyprus government, made up of Greek Cypriots, and the Turkish Cypriot north. "It has to be recognised that there are two republics in Cyprus, two entities, two governments," Mr Dini said after talks in Rome with Turkey's foreign minister, Ismail Cem. "If the EU does not recognise this basic fact in conducting the negotiations for membership, then you run into problems." Greece reacted furiously to the reports, warning of "serious problems" in its relations with Italy if they proved to be true.

Turkey and the Turkish Cypriots have threatened to integrate the breakaway north with Turkey if the EU and the Cyprus government persist with the accession talks without making provision for Turkish membership of the EU. *Agencies, Rome*

■ POLISH POLITICS

Coalition agrees grain funding

Poland's governing coalition has patched up its differences over budget funding for purchases of grain for this year's harvest, enabling the Polish Peasant party (PSL) to withdraw support for a motion of no-confidence in Wlodzimierz Cimoszewicz, the prime minister.

The motion, to be voted on later this week, threatened to break up the coalition between the PSL and the reformed communist Democratic Left Alliance (SLD) before parliamentary elections on September 21. Agreement between the two parties on a government plan to purchase an extra 300,000 tonnes of grain from farmers has resolved the row. The agreement means that the SLD has left open the prospect of a post-election coalition with the PSL. However, Waldemar Pawlak, the PSL leader, is thought to want the premiership as the price of continuing support for the reformed communists after the elections. *Christopher Bobinski, Warsaw*

■ CONTRACT KILLING

Russian publisher shot

A prominent Russian publisher was killed on the stairs of his house in Moscow in an apparent fight over lucrative contracts to print schoolbooks, police said yesterday.

Alexander Krutik, 29, was shot by unknown assassins as he walked out of the lift on Tuesday evening accompanied by his bodyguard, police said.

The murdered publisher headed the Drofa publishing house, which prints about 80 per cent of all schoolbooks and textbooks in Russia. His killing was believed to be linked to expensive contracts to print schoolbooks, which have been in short supply since the collapse of the Soviet education system.

The killing was the second attack targeting Drofa leaders. The publishing house's deputy director was shot dead in November 1996. Last May, an unknown assailant shot and wounded the education chief in Moscow, Lyubov Kezina, and Russian newspapers have speculated that the attack was connected to the distribution of state education funds and contracts. *AP, Moscow*

■ NETHERLANDS

Coalition in drugs row

Tensions within the three-party Dutch coalition government broke to the surface yesterday as parliament criticised the cabinet's handling of a cocaine-trafficking indictment against Desi Bouterse, former military dictator in Surinam. A grilling given to two senior ministers ended an informal truce in place while the Netherlands held the European Union presidency in the first half of the year, and signalled the start of campaigning for a general election to be held next May.

It followed confirmation by Hans van Mierlo, foreign minister, that he had convinced Winnie Sorgdrager, who holds the justice portfolio, not to seek the implementation of an Interpol arrest warrant last month while Mr Bouterse was in Brazil. Mr van Mierlo defended the decision on the grounds that The Hague had no adequate extradition treaty with Brasilia, but MPs accused him of allowing diplomatic considerations to influence the course of justice. *Gordon Cramb, Amsterdam*

■ ITALY

Berlin bomb suspect detained

Italian police have arrested a Libyan man wanted in Germany for the bombing in 1986 of a Berlin discotheque frequented by US soldiers, police officials said yesterday.

The man is believed to be the last fugitive wanted by German authorities in connection with the attack. He was detained as he walked along a street in Rome on Tuesday.

Police said two other Libyans and an Italian had also been arrested and charged with aiding and abetting him. According to German authorities, the man was once a member of the Libyan secret services.

He is to be extradited to Germany to face charges of multiple homicide in connection with the the bombing of the La Belle discotheque in West Berlin, in which two US soldiers and a Turkish woman were killed and 200 other people were injured. *Reuters, Rome*

■ ROMANIA

Miners in redundancy deal

About 40,000 Romanian miners have accepted redundancy terms under a government plan to make mines profitable by cutting the workforce, union officials said yesterday. The government had expected that only 32,000 of the 210,000 in Romania's confederation of miners' unions (CSMR) would volunteer for redundancy this year as part of a plan to phase out 64,000 mining jobs by 2005.

CSMR president, Marin Condescu, said the terms, which offer 850,000 lei ($114) a month for five years, were generous. "There are mines where the monthly salary does not exceed 550,000 lei a month," he said. Miners could also take their entitlement in a lump sum equivalent to $7,200. *AFP, Bucharest*

■ SPANISH TRADE BALANCE

Improvement tails off

The recent sharp improvement in Spain's trade balance is showing signs of slowing as growing domestic demand pulls in more imports, according to provisional figures from the economy and finance ministry.

The country's trade deficit in the second quarter was virtually unchanged from the same period last year, after showing a 22 per cent reduction in the first quarter. Accelerating import growth in June, led by purchases of capital goods, brought a 13 per cent increase in the monthly trade gap to Pta242.6bn ($1.6bn). But the deficit for the first half was still 10 per cent narrower than last year at Pta1,198.2bn, reflecting an increase of more than 16 per cent in exports. Imports over the six months were up by more than 11 per cent. *David White, Madrid*

Strike may hit Brazil port sale

By Jonathan Wheatley in São Paulo

Workers at Santos, Latin America's biggest seaport, are on the verge of a strike that could bring the port to a standstill, less than a month before the planned auction of its main container terminal to private operators.

The Santos workers, whose pay and working arrangements have contributed to the Brazilian port being among the most expensive in the world, meet this evening to vote on a union proposal for a strike over job losses and changes to working conditions.

Union leaders have been angered by the port authority's decision to fire 2,300 dock workers on fixed contracts on September 1 and force them to register as freelance workers with a recently established federal agency.

The agency, known as OGMO, is responsible for hiring on a daily basis. Daily hiring of dock workers is among the most contentious issues in the industry.

The move is part of a drive to modernise Santos in an effort to cut Brazil's high business operating costs.

Codesp, the São Paulo state ports authority, began reducing tariffs with a 34 per cent cut last September and a pledge to make additional reductions of 7 per cent every six months. But it says further cuts depend on reducing labour costs.

"We take the threat very seriously," said Belmiro Almeida of Codesp. "There's a climate of war building up."

Donizete Moura, general secretary of the dock workers' union, claimed the authorities were breaking the law by not offering fixed contracts at OGMO, and by failing to provide retraining for workers choosing not to register with the agency.

OGMO hires about 7,000 workers at Santos each month. Codesp plans to move a further 2,800 workers to the agency after the September 1 transfer.

Mr Moura said: "We understand the need to modernise, we know the workers will lose in the end, but we are simply being thrown out.

"We don't want to strike, but it is the only weapon we have left."

Codesp plans to auction a 25-year concession to operate its one specialist container terminal, known as Decon, on September 17.

Codesp said the strike and the sale were "two separate issues" and one should not affect the other.

About 36m tons of cargo passed through Santos last year, accounting for one-third of Brazil's foreign trade. Codesp plans to put 70 per cent of its operations under private management.

Some 15 contracts have been signed and a further 37 are in various stages of tendering, accounting for about half the port's capacity.

South-east electricity giants show how to generate political power

When a member of Georgia's political elite fancies a spot of bird-watching or fishing in an unspoilt stretch of water, the most likely choice will be a reservoir nestling beneath a giant, coal-fired electricity plant.

The popularity of Lake Juliette, a scenic wildlife habitat whose main purpose is to provide water for a 3,300MW furnace, is one reason why the debate over the $200bn-per-year US power industry feels different in this south-eastern state.

Electricity providers like Georgia Power and Florida Power and Light, the main owners of the huge Scherer facility, are quite literally powers in the land, with political muscle and a benign public image that many utilities would envy.

In states like California and Massachusetts, power companies face well organised opposition from liberal lobby groups who accuse them of recklessly endangering the environment and over-charging customers. Those states have led the way in the sector's deregulation by calling for freedom of choice for at least some retail customers from next year.

But in the south-east, home of some of the nation's largest electricity providers, the picture looks different. There is little immediate threat to the regulatory regime under which these utilities have flourished.

Their influence is also being felt in the national debate: helping to reduce the chances of a federally mandated timetable for free competition and to increase the prospects that utilities will be allowed to recover their stranded costs – past investments rendered uneconomic by deregulation.

On the latter question, there is stiff opposition from the fast-growing gas industry based in Houston, Texas, which backs a proposal from the Republican congressman Tom DeLay for deregulating the electricity sector with no recovery of stranded costs.

But the fact that many senior US politicians – including Newt Gingrich, the House speaker, and Trent Lott, the Senate majority leader - hail from the south-east (Georgia and Mississippi respectively) provides an added assurance that the grand old utilities can at least make their case in Washington.

In Alabama, the law changed in the state utility's favour last year – by entrenching the local regulator's right to make any industrial user who leaves the system pay the extraordinary costs created by his departure.

Alabama Power, a leading force in the economic development consortium which has attracted Mercedes and other foreign manufacturers to the state, argued successfully that the abrupt departure of an industrial user could force the utility to impose extra burdens on householders.

The south-eastern power companies' political brawn could mean that they are well-placed to take advantage of competitive conditions in other regions, sectors and even continents – while remaining firmly entrenched at home.

Duke Power of North Carolina has made one of the most dramatic expansion moves by announcing a $7.7bn alliance with the gas company Panenergy. Southern, the largest US electricity producer and parent of both Georgia Power and Alabama Power, hopes by 2003 to be generating 30 per cent of its revenue by non-traditional sources – overseas investments and participation in deregulated parts of the home market, like the booming wholesale trade in electricity and gas.

A.W. "Bill" Dahlberg, Southern's president, insists there is no contradiction between enjoying a largely regulated environment at home (though Georgia allows limited competition for industrial clients) while taking advantage of liberalisation in other places.

"Where the policy-makers decide they want competition, and we are in a position to participate, we have been very active," he says.

Georgia Power's bills averaged 6.15 cents per kilowatt-hour last year, while Alabama Power charged 5.4 cents, against the national average of 7.15 cents. "Our customers don't appear to be unhappy with these prices," says Todd Terrell, a Southern representative.

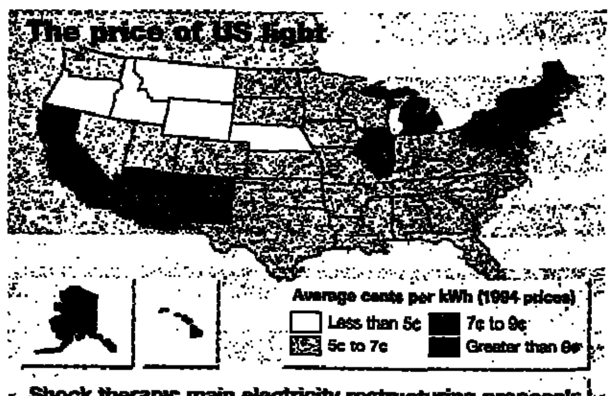
In fact, Southern does face a legal challenge from a group called the Campaign for a Prosperous Georgia, which argues that regulators have given the company too much leeway to invest abroad without considering local consumer's needs.

But CPG hardly compares in numbers or political clout with the anti-utilities campaigns of Boston, Houston or San Francisco.

With confidence that goes with being one of Atlanta's most influential figures – he helped bring the Olympic Games to the city and promote its boom-town image – Mr Dahlberg makes the unconventional prediction that the region will need to build more power generation capacity within a few years.

"We still have an obligation to serve our customers. People say that in future that may not be so, but we currently have that obligation, and we take it seriously," he adds in a comment whose political subtext is clear: if a system for serving electricity users ain't broke, don't rush to fix it.

Bruce Clark



Shock therapy: main electricity restructuring proposals

In the House

Rep Dan Schaefer's bill would:
- Give states six months from enactment to formulate plans to implement retail competition by end-2000
- Leave to states' discretion whether to allow utilities to recover their "stranded" costs (past investments rendered uneconomic by deregulation)
- Require all generators to obtain an escalating percentage of their energy from renewable sources using a credit trading system (i.e. purchasable from other generators)

Rep Edward Markey's bill would:
- *Not* establish a date by which states must restructure but offer incentives for those that do
- Require the establishment of funds for public interest programmes - such as renewable energy, conservation and low-income assistance programmes - to qualify for relief from federal public utility laws that restrict competition (Purpa and Puhca)
- Establish similar renewable energy system

In the Senate

Sen Dale Bumpers' bill would:
- Require retail competition by end-2003
- Allow states to deal with stranded cost recovery issues on their own, but allow utilities to approach Federal Energy Regulatory Commission if their states do not allow it
- Establish renewable energy system

Sen Craig Thomas's bill would:
- Give states legal authority to decide on competition, standards and renewable energy
- Repeal Purpa on enactment and Puhca 18 months after

Source: Potomac Communications

Espy to face gifts charges

A US federal grand jury yesterday charged Mike Espy, the former agriculture secretary, with 39 counts of illegally accepting gifts and favours from large food producers and trying to cover up his activities, AP reports from Washington.

The grand jury accused Mr Espy of accepting more than $35,000 in gifts, trips and favours from large agribusinesses that dealt with the US Department of Agriculture when he headed it in 1993-94.

Mr Espy was also charged with witness tampering and lying to investigators about his receipt of gifts, including tickets to a basketball game.

Among other things, he was charged with ordering a departmental employee to alter a document that had been sought by the department's inspector-general. That charge alone carries a maximum 10-year prison term upon conviction.

Mr Espy resigned in December 1994, three months after an independent counsel began investigations. A former Mississippi congressman, Mr Espy has denied criminal wrongdoing.

The indictment also said he lied to the White House when it investigated the allegations as part of an ethics review and failed to disclose the gifts on his government financial disclosure report.

If convicted of all 39 charges and sentenced consecutively he could face a jail term of more than 100 years.

AMERICAS NEWS DIGEST

Coalition falls in Surinam

A row over government spending and the sacking of the finance minister have led to the break-up of Surinam's year-old coalition government.

Jules Wijdenbosch, president of the former Dutch colony in the north of South-America, is negotiating with several small political parties to join his National Democratic party after two factions in the coalition defected.

The defections have left Mr Wijdenbosch controlling 22 of the 51 seats in the national assembly.

Motilal Mungra, the finance minister, was fired this week after complaining that the president was overspending, and was doing so without the approval of members of the coalition. Mr Mungra disapproved of Mr Wijdenbosch's purchase of an armoured car and a presidential yacht. *Canute James, Kingston*

■ CHRISTIAN PROTEST

New Disney boycott call

The head of a conservative Christian group is asking millions of US radio listeners to join a boycott of Disney products.

James Dobson, president of Focus on the Family, said this week that he would ask the 3m-5m people who follow his ministry's radio programmes to complain about Disney products the group finds offensive.

The Southern Baptist Convention started the boycott in June to express its objection to Disney policies, including health benefits for same-sex partners of its employees. It also objected to films such as *Pulp Fiction* produced by its subsidiaries, and to its television show *Ellen*, which features a lesbian character.

The boycott "won't bankrupt Disney, given their enormous resources, and we may not even damage them financially", Mr Dobson said. "But we can certainly let our constituency know that Disney is no longer friendly to the family."

Disney said it respected the groups' right to protest but also felt the attacks on us were "unwarranted, unfair and inappropriate." *AP, Colorado Springs*

■ BIOLOGICAL WARFARE

Cuba crop pest claim fails

Cuba has apparently failed in its bid to convince members of the United Nations biological weapons convention that it has been the victim of "biological aggression" by the US.

Ian Soutar, the UK's disarmament ambassador in Geneva, who chaired a specially convened "consultative" meeting of convention members, said yesterday that on the basis of the evidence presented to the meeting it had not been possible to draw "a direct causal link" between the flight of a US narcotic crop eradication aircraft over Cuba last October and the appearance in Cuba of the thrips palmi crop-eating pest.

He plans to produce a final report on the issue by the end of December after governments have had the chance to make written comments on the evidence. Cuba has alleged that the US deliberately released the pest, a charge the US called "ridiculous". The thrips palmi, which was already present in the Caribbean, can also be spread by wind. *Frances Williams, Geneva*

■ MEXICO CONTRACT

Subway bidding suspended

Mexico's Comptroller General's Office (Secodam) has suspended the bidding for an estimated $400m contract to purchase and maintain 28 subway trains, saying none of the bids fulfilled technical requirements.

Two international consortia were bidding for the concession when the Spain's Construcciones y Auxiliar de Ferrocarriles (CAF) complained about the procedure. The Secodam did not say if or when it might reopen the tender.

"The evaluation procedure of the offers has been resolved and declared null," Secodam said in a statement. "None of the technical offers presented complied completely with requirements," it added.

The project was to provide trains for a planned "B" line of Mexico City's subway system. *Reuters, Mexico City*

Ban on action for minorities upheld

By Mark Suzman in Washington

A controversial California law that would impose a state-wide ban on affirmative action programmes for women and minorities is expected to take effect today after a federal appeals court rejected a motion by civil rights groups to delay its implementation.

The 9th US Circuit Court in San Francisco dismissed an appeal by opponents of Proposition 209 on Tuesday night to stop it from taking effect until the Supreme Court had decided whether or not to review the case.

Unless the Supreme Court now decides to grant an emergency stay pending its own examination of the issue, or the appeals court chooses to delay enforcement of its decision, the measure will become law today.

The announcement was welcomed by Pete Wilson, state governor and a prominent backer of the measure, who said the decision "takes us another step closer to eliminating unfair preferences in government and public school admissions".

The American Civil Liberties Union, which has been leading the challenge, said it was now preparing an Supreme Court appeal to be submitted "as soon as possible". Dan Lungren, California's attorney-general, said the state would strongly oppose any such motion.

Proposition 209 was narrowly approved by California voters last year, but implementation has been delayed by a series of court battles. Last November, a federal judge concluded there was a "strong probability" that the law would prove unconstitutional, and blocked it from taking effect. However, that judgment was overturned on appeal in April, prompting the latest failed attempt by the ACLU to secure another review of the decision.

If implementation goes ahead as planned, it will give further impetus to a growing national backlash against affirmative action programmes which have been used to redress ethnic and sex inequalities in fields ranging from education to government employment over the past 30 years.

Opponents say the measure will reverse recent progress made in ending racial discrimination. At the University of California, which recently ended affirmative action in its admission polices, enrolment by blacks and other minorities has plummeted.

NEWS: INTERNATIONAL

Successor to de Klerk may rejoin government

By Roger Matthews in Johannesburg

South Africa's opposition National party may decide to rejoin the government of national unity following the election of a successor to F.W. de Klerk, the former president, who is resigning as party leader.

Hernus Kriel, premier of the Western Cape province and favourite to win the leadership, is believed to favour reversing Mr de Klerk's decision last year to leave the coalition. A spokesman for Mr Kriel said yesterday that if elected leader on September 9 he would "probably" exercise the National party's right to rejoin the government.

Mr de Klerk served as deputy president until he walked out of the government in May last year, taking with him five other National party ministers. He said his decision had been provoked by the waning influence of the party within the cabinet, but admitted yesterday its ability to influence policy was even less in opposition.

Support for a return to government came yesterday from Pik Botha, South Africa's long-serving foreign minister until the 1994 general election. He said he would consider "making himself available as leader" if the party agreed that it should again form part of the government, along with the African National Congress and the mainly-Zulu Inkatha Freedom party headed by Chief Mangosuthu Buthelezi.

Mr Botha said the party would also have to accept fundamental changes, and begin co-operating fully with the Truth and Reconciliation Commission headed by Archbishop Desmond Tutu.

Mr de Klerk has apologised for apartheid but clashed with Archbishop Tutu after denying any knowledge of gross human rights abuses carried out by agents of the former government.

Roelf Meyer, a candidate for the National party leadership until he quit earlier this year, said he believed there was little chance of internal reform following the departure of Mr de Klerk. Mr Meyer resigned after Mr de Klerk refused to endorse his efforts to widen the support base and draw in other parties.

"Even so, if there was anyone who could attract support from across the political spectrum it was de Klerk," said Mr Meyer. "Without him the National Party has no ability to do so. It is much more likely that it will be reduced to a regional or provincial party."

Mr Meyer, who plans to launch a new political movement next month in co-operation with former ANC executive member Bantu Holomisa, added that most "progressives" had already left the Nationalists to join his new organisation.

Although President Nelson Mandela would be bound to welcome the National party back into government it would force him to sack several ANC ministers to make portfolios available. Under the terms of the agreement reached before the 1994 election, any party which achieved 10 per cent of the vote had the automatic right to cabinet posts.

Marthinus van Schalkwyk, the National party's executive director, was the only confirmed candidate for the leadership last night, and senior party members said the contest was likely to be between him and Mr Kriel.

CLIMATE CONFERENCE: Experts fear floods and drought across the globe

El Niño plays havoc with world's weather

By Frances Williams in Geneva

The disastrous recent flooding in central Europe and the worsening drought in North Korea and central China may both be due to what scientists are calling "the climate event of the century" – the early and forceful appearance of the El Niño weather system that periodically disrupts the world's climate.

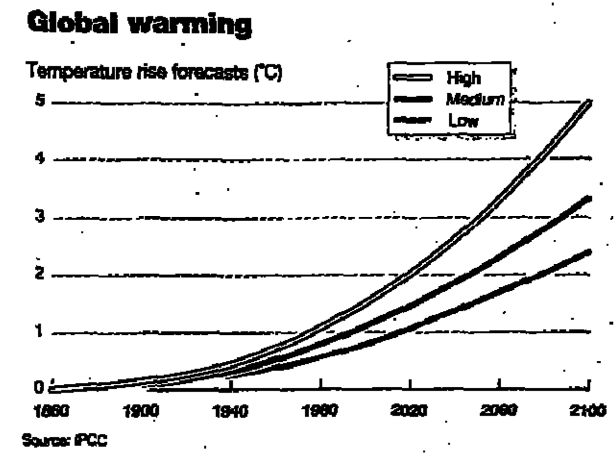
Climate experts attending a three-day international conference on climate research that ends today say the El Niño phenomenon that began in early summer could surpass that of 1982-83 which claimed nearly 2,000 lives and damaged crops and property worth $13bn.

El Niño or "the boy", more specifically the Christ Child, is the name given to an irregular appearance of warm surface water in the Pacific off the western coast of South America that affects global wind and rainfall patterns.

In July the sea surface temperature in the eastern tropical Pacific was 4-5 degrees above normal, breaking all previous records, and the climate effects are already being felt around the world.

"This event has already reached historic proportions," Ants Leetmaa, director of the Washington-based Climate Prediction Centre of the US National Weather Service, said yesterday. El Niño's peak is likely to be reached late this year or early in 1998, before weather conditions return to normal next summer.

Global warming



The El Nino effect is the climate event of the century say scientists. Among its other effects, they predict an especially turbulent stormy winter in California, above-normal rainfall in the south of the US more generally and worsening drought in Australia, Indonesia, the Philippines, southern Africa and northern Brazil

Among its other effects, scientists are predicting an especially turbulent stormy winter in California, above-normal rainfall in the south of the US more generally and worsening drought in Australia, Indonesia, the Philippines, southern Africa and northern Brazil.

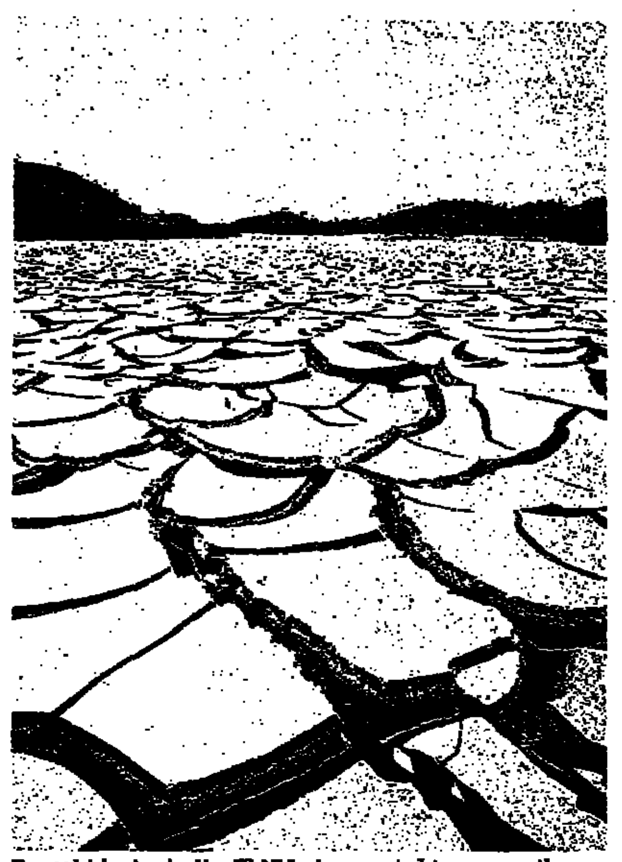
Although the drought in North Korea had begun before El Niño made its appearance, it had been made more severe by the interaction of El Niño and other tropical weather systems, Mr Leetmaa said.

And while El Niño effects are normally weak in Europe, Mr Leetmaa said the recent flooding was due to weather patterns that bore a strong resemblance to those that appeared over Europe during the 1982-83 El Niño effect.

Over the coming winter, by contrast, northern Europe is expected to have slightly less rainfall than usual while southern Europe is expected to have more.

The 1982-83 El Niño hit crop and commodity production worldwide, and output forecasts for this year are already being scaled back substantially. Increased risk of malaria in south America is another unwelcome consequence of El Niño, as mosquitoes quickly spread to warmer climes.

Though scientists have made huge strides in predicting the occurrence and climatic effects of El Niño, they still do not know what triggers its appearance or influences its strength. However, El Niño events appear to be increasing in frequency and dimension, raising suspicions that they may be related to global warming.



Drought in Australia: El Niño is expected to worsen the problem and hit farm production worldwide

Scientists pressed to pin down climate threat

By Leyla Boulton, Environment Correspondent

Leading scientists are expected to respond today to pressure from politicians to clarify the threat of climate change to specific parts of the world.

Scientific uncertainty is the crux of an international dispute over what should be done to tackle what US President Bill Clinton has described as the world's most serious environmental problem.

More than 300 scientists are meeting in Geneva this week under the auspices of the World Climate Research Programme (WCRP), a body co-ordinated by governments and the United Nations, to agree priorities for future research.

Roger Newson, head of climate modelling for the WCRP, said the meeting would "clarify and specify what action must be taken so we can... give better answers on man's effect on climate.

"There's a lot of pressure on us to do that," he added.

Scientists fear that increasing emissions of gases including carbon dioxide from the burning of fossil fuels are causing damaging changes in temperature and rainfall levels.

Developed countries have agreed to negotiate legally binding reductions in their emissions at an international conference in Kyoto, Japan, in December.

Preparations for the Kyoto conference are being undermined by critics who argue that not enough is yet known about the problem to warrant radical solutions.

These opponents include industries which are either big consumers or producers of fossil fuels and the US Congress.

Michael Grubb, a member of the Intergovernmental Panel on Climate Change (IPCC), another UN body researching global warming, urged politicians to "grow up and understand that we are dealing with uncertainty... Nobody in their right mind thinks uncertainty means do nothing".

Congressmen fear the US economy could suffer from any measures that are not shared with fast growing developing nations. US politicians including Mr Clinton are afraid of alienating motorists with any attempts to discourage fuel use by taxing it.

The European Union in contrast wants industrialised countries to agree a 15 per cent cut in emissions by 2010.

It argues that this will persuade developing nations to follow suit, as well as accept the industrialised world's responsibility for the bulk of the emissions so far.

But Congress, whose support is essential for any cuts agreed at the Kyoto negotiations by the Clinton administration, has even sought to cut funding for research into climate change.

"It's incumbent on us to put forward arguments why funds should not be cut, where money is best spent and why," said Mr Newson.

The IPCC has estimated that temperatures could rise by 1 to 3.5 degrees centigrade over the next century if the world carries on emitting greenhouse gases at the current rate.

But Mr Newson said scientists agreed that one important priority was to improve knowledge of regional effects of climate change. Its consequences could range from increased drought to more frequent flooding.

"We need to know whether it is going to be six degrees warmer in Britain and two degrees cooler in Iceland," he said.

NEWS: WORLD TRADE

Daewoo to invest $1bn in Algeria

By Roula Khalaf in London

South Korea's Daewoo group yesterday signed a memorandum of understanding with Algeria's army-backed government promising to inject the first sizeable foreign investments into the country's battered industrial sector.

Algerian officials said yesterday that the Daewoo delegation visiting Algiers this week, including chairman Kim Woo-choong, would invest up to $1bn in sectors ranging from industrial vehicle production to hotels.

Daewoo's move will be the first significant inward investment in Algeria's non-oil and gas sector, and marks a success for the Algerian authorities desperate to shake off Algeria's violence-ridden image and attract foreign investment.

Since the outbreak of the Algerian crisis in 1992, when the army cancelled elections which an Islamist party was about to win, the government has succeeded in attracting foreign investment into the heavily guarded oil and gas sector, which is sheltered in the desert and has largely been spared from attacks.

But much needed investment into productive sectors has been deterred by the seemingly endless violence. While a Daewoo delegation was negotiating with the government this week, more than 180 people were reported killed, most in village massacres south of Algiers. Daewoo had one of its representatives assassinated in Algeria in 1994.

Oil and gas provides Algeria with more than 95 per cent of foreign exchange revenues, but contributes little to employment. Privatisation of Algeria's industrial sector, which accounts for 12 per cent of GDP, is essential to creating jobs in a country where the unemployment rate is more than 28 per cent. Last year, industrial production declined 4 per cent.

Daewoo officials in Algiers said the company was discussing with the government the precise stakes it will take and the companies it wants to invest in.

But according to Abdelmajid Menasra, minister for industry and restructuring, Daewoo's investments will include the purchase of a majority stake in the loss-making state vehicle manufacturer now being restructured. The company operates at 40 per cent of capacity and its workforce is expected to shrink from 13,000 to 10,000. Officials say modernising the company will cost at least $250m.

Daewoo also expressed interest in buying a stake in the state-owned electronics company and is looking into cement production, house construction and hotels, said Mr Menasra. Daewoo aims to export 50 per cent of output.

"We need to make our industry competitive and we cannot do it on our own," said Mr Menasra. "The Daewoo initiative is an indication that Algeria can attract foreign investment and we hope this will lure others."

Daewoo's interest in Algeria dates to the early 1992, when the company was Algeria's first joint venture partner in the construction of the Hilton hotel, now 100 per cent owned by the south Korean company. Daewoo has also pledged substantial investments in neighbouring Morocco.

Rising incomes driving up car sales in E Europe

By Kevin Done, East Europe Correspondent

New car sales in eastern Europe and the former Soviet Union are expected to rise strongly during the next five years helped by significant growth in real incomes in the region and by declining import tariffs.

Sales in east Europe are forecast to increase by 36 per cent by 2002 to 1.21m from 888,000 last year, while sales in the countries of the former Soviet Union are expected virtually to double during the same period to 1.56m from 821,000.

Markets in the former Soviet Union, which have much lower ownership levels than in east Europe, have "a real hunger for car acquisition," says a report by DRI/PlanEcon on the outlook for the east European motor industry. Sales in the former Soviet Union are expected to overtake sales in east Europe from 1998.

Investments led by Korean, German and US carmakers are under way in eastern Europe, where car production and the range of models produced are rising quickly.

Output in eastern Europe rose by 20 per cent last year to 976,000 and is forecast to increase further to 1.5m by 2002. The main focus of investment is Poland, where Fiat of Italy and Daewoo of South Korea are already heavily engaged and General Motors of the US is planning to open a DM450m ($245m) plant in Gliwice in southern Poland next year.

The GM plant will have an initial capacity of 72,000 cars a year, but could expand later to 150,000 cars a year.

Western carmakers' investment plans in the former Soviet Union remain "more cautious", says the DRI study. "The markets are more risky than in east Europe and are far less developed. Several of the smaller producers are struggling to survive."

The larger local carmakers including VAZ, GAZ and ZAZ have rescue plans in place, however, says the report, and output in these countries is also expected to rise to 1.5m in 2002 from 893,000 last year.

New car sales in east Europe have expanded rapidly in the last two years with growth of 35 per cent last year to 888,000 after an increase of 14 per cent in 1995. A further 10 per cent increase to 975,000 is forecast for this year.

The expansion has been led by Poland and the Czech Republic, the two biggest markets in eastern Europe, with new car sales in Poland forecast by DRI to rise by 23 per cent this year to 458,000 following a 41 per cent increase last year.

According to the study sales were spurred by the generally good economic performances of these countries, though growth has slowed in the Czech Republic this year, and by increasing access to consumer credit made by possible by falling inflation and lower interest rates.

Car import tariffs in Poland are declining steadily in line with the country's association agreement with the European Union and car sales in Poland are now matching the scale of some medium-sized markets in western Europe such as the Netherlands.

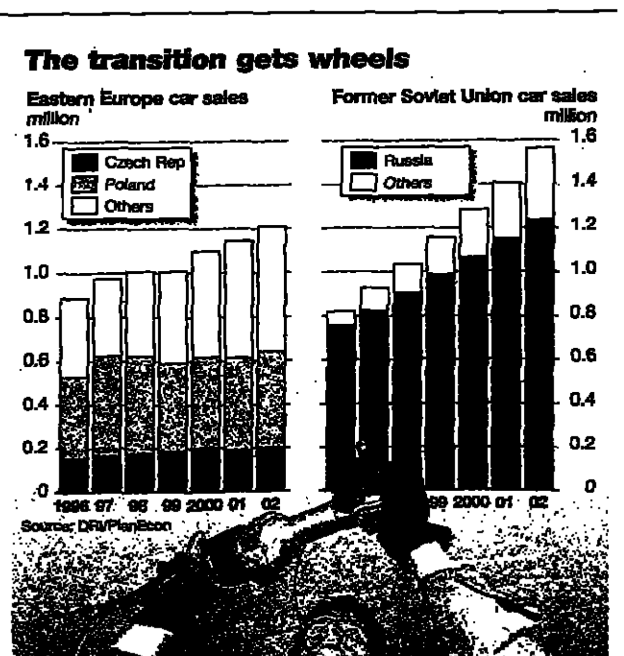
Rapid growth in Poland and the Czech Republic has masked problems in some other countries such as Bulgaria, where the prolonged economic crisis caused sales last year to fall to half the level of 1994.

The DRI report says that for western carmakers a production base in eastern Europe offers direct access to the fastest growing markets in Europe, and for an outsider such as Daewoo of Korea it also provides a base from which to attack western European markets.

Western producers can help to maintain competitiveness by building up low-cost production operations in the region. "The more advanced and stable countries in eastern Europe have now become the preferred choice over the traditional low-cost production centres in the west such as Spain and Portugal," says the study.

East European Automotive Industry Forecast Report, DRI/McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London, SW19 3RU, UK. £7,000 or $10,500.

The transition gets wheels



Genetic wheat ban eased by Egypt

By Mark Huband in Cairo

Egypt has modified a ban on imports of genetically engineered grain after intense pressure from exporters who had criticised the sudden ban when it was ordered last month.

A Ministry of Health decree in July had demanded that imports of grain, as well as soya beans and pulses, be accompanied by a certificate from their country of origin proving they had not been genetically altered.

The ban raised the prospect of widespread disruption to grain imports. Egypt imports around 6m tonnes of wheat worth $1.3bn a year, accounting for 60 per cent of consumption, making it one of the world's biggest wheat importers. About 4m tonnes comes from the US, 1m from Australia and the rest from France and Argentina.

The ministry has now modified the decree so non-genetically modified products no longer need a certificate, and genetically engineered products which have been safely introduced in their countries of origin can be exported uncertified to Egypt.

The government has retained the right to inspect consignments which it suspects may not be correctly labelled.

The ban, issued at a time when fears that beef infected with BSE – or "mad cow" disease – had been dumped on the Egyptian market, marked the government's response to concern over food safety. Both the US and Australian officials have insisted that they neither produce nor export genetically engineered wheat.

"None of the wheat in the US is genetically engineered. But some corn and soya beans produced in Europe have become an issue between Europe and the US," said Dick Prior, regional director for the US Wheat Associates, in Cairo yesterday.

WORLD TRADE NEWS DIGEST

Cray argues dumping case

Cray Research of the US yesterday gave evidence to the International Trade Commission which is investigating Cray's allegations of dumping by two Japanese supercomputer makers.

Cray argued that vector supercomputers were a distinct product that met specific demands and that a relatively small market size increases the impact of dumping practices. According to Cray, research and development by the world's four vector system manufacturers totals $300m, while sales are $700m-$800m per year. Prices, they contend, must remain high to recover costs.

Japanese producers have doubled their vector supercomputer market share in only three years. Cray argued that due to price pressures from its Japanese competitors, it had lost 9 per cent of its sales.

Fujitsu, one of the Japanese companies, argued that non-vector supercomputers could be viable substitutes, and denied that vector systems had a distinctive quality. Moreover, they argued that Cray sold its own non-vector supercomputers to weather forecasters in Europe at prices that were far below Fujitsu's.

Heather Bourbeau, Washington

■ AIRCRAFT SALES

Bombardier wins SAS order

Scandinavian Airlines System (SAS) has stepped up its fleet modernisation programme, announcing plans to acquire 15 commuter aircraft from Bombardier of Canada for SKr2.5bn ($314m). The carrier, 50 per cent owned by the Swedish, Norwegian and Danish governments, said Bombardier had won the order against a rival tender from AIR – the joint venture between British Aerospace, Aerospatiale of France and Alenia of Italy – which had offered SAS its ATR turboprop.

Kurt Kühne, vice president of SAS fleet development, said they had taken options on a further 18 Bombardier Dash 8-400 aircraft, with the first due to enter service in July 1999. The order from SAS Commuter, the airline's regional subsidiary, augments plans to invest SKr10bn to upgrade the SAS fleet over the next five years. That investment will be dominated by an order for 41 short haul Boeing 737-600 aircraft.

Ole Pedersen, president of SAS Commuter, said the Bombardier turboprops would be used on domestic services in Sweden and on regional services out of Copenhagen. Although SAS has opted for the 72-seat version of the Dash 8-400, the carrier has won the right to switch to smaller 50-seat variants at a later date.

Tim Burt, Stockholm

■ SATELLITE ORDER

Arab company picks Hughes

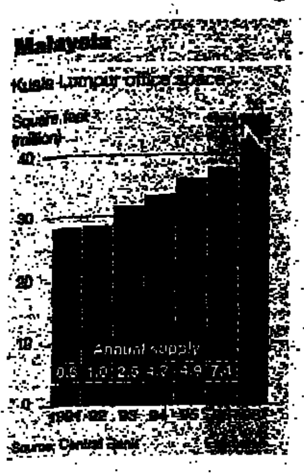
An Abu Dhabi-based company said yesterday it had selected the US company Hughes as the preferred bidder in a deal worth up to $1.2bn for a satellite system to extend mobile telecommunications throughout the Arab world.

Thuraya Satellite Telecommunications said its board decided to enter into final negotiations with Hughes out of three leading satellite manufacturers competing for the project. Also in the race were Aerospatiale, of France, and Lockheed Martin of the US. Thuraya said it will now go into a final round of talks with Hughes and expects to sign the deal by September 11.

Reuters, Dubai

Malaysia ends levy to help property market

Glut of accommodation and falling prices expected next year



By James Kynge in Kuala Lumpur

Malaysia is today due to abolish a levy on foreigners' purchases of property in an attempt to support real estate prices before an expected glut materialises next year.

The move, announced yesterday, is one of the few concrete initiatives the authorities have revealed to remedy an economy suffering from a depreciating currency, falling stock values and a slowdown in consumer spending.

The levy of M$100,000 (US$36,000) is applied to foreigners buying properties worth more than M$250,000 and was introduced in 1995 to curb speculation in a sector then thought to be overheating. Property company shares were unmoved by news of the levy's abolition yesterday, with the property index falling 15.39 per cent, or 0.84 per cent, to 1,825.25.

"Everyone knows there is a glut coming sometime next year, so foreigners will probably wait a while until prices look more attractive," said one industry analyst. "This will not have a large effect on the market."

The government, which rejects widespread assertions that the economy is slowing, maintains that even if there is a property glut next year, it will be minor. Statistics suggest otherwise. Office space in and around Kuala Lumpur totals around 38m sq ft, but about 90 buildings are be built, which will add another 34.7m sq ft, property consultants said. The annual take-up in the last few booming years has been about 3m sq ft a year.

The prices of high-end condominium rents have already begun to fall, by as much as 15 per cent. Yet about 55 condominium projects are under construction in and around the capital. The 14m sq ft of retail space is set to be dwarfed by another 20m sq ft planned to be completed over the next four years. Some shopping malls report poor business.

In the countryside outside Kuala Lumpur, earthmovers and cranes have already abandoned some half-finished residential sites. Banks have been slashing lending to property companies and raising provision against bad debts.

Analysts said the wider economic problems induced by the property glut are unlikely to be as serious as in Thailand.

This is mainly because Malaysia's financial sector is seen as more robust and better regulated than its Thai counterpart.

Quotas on property purchases by foreigners will be maintained. The main ones stipulate that only 10 per cent of semi-detached and detached houses within any development can be bought by foreigners. The quota for condominiums is 20 per cent.

HK land auction shows strong demand

By John Ridding in Hong Kong

Hong Kong's first government land auction since it returned to Chinese sovereignty on July 1 showed strong demand for luxury residential property and continued confidence in the real estate sector, property developers and investment analysts said yesterday.

A luxury site at Repulse Bay on the south side of Hong Kong Island, which was the focus of attention, fetched HK$5.55bn (US$717m), slightly higher than average forecasts.

Two small sites received bids at the top end of expectations.

Tim Bellman, director of Jones Lang Wootton, real estate agents, said the auction showed sentiment remained resilient following the transfer of sovereignty, and turmoil in regional currency markets. "The fundamentals have not changed: a rising population, increasingly wealthy, and a shortage of housing," he said.

Victor Li, deputy chairman of Cheung Kong, one of the territory's biggest developers, said the bidding showed strong underlying demand for property. He called on the government to release more land for development.

Cheung Kong was defeated in the contest for the Repulse Bay site by Chinachem, another of the territory's big developers.

Some analysts were cautious about drawing broader implications from the sale, viewed by many as a gauge of confidence in the sector ahead of government plans to increase housing supply.

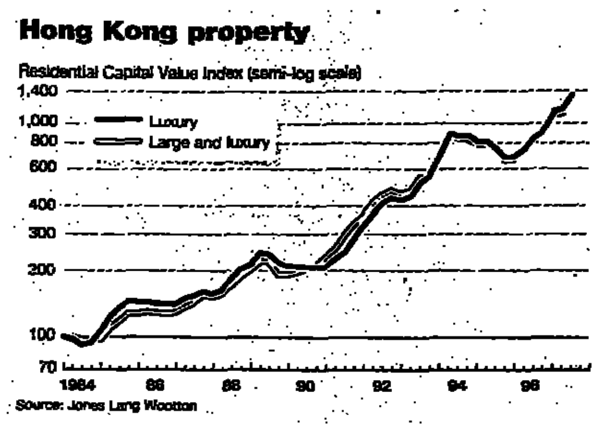
Hong Kong's housing shortage has been targeted as the top priority of the new administration. Tung Chee-hwa, Hong Kong's post-colonial leader, has promised to expand supply by 85,000 units a year, raising uncertainty on future price trends.

The land auction rallied the Hong Kong stock market, down sharply in the early stages of the auction when bidding for the Repulse Bay site was stuck below HK$4bn.

The Hang Seng index, the main stock market indicator, closed down 13.27 points at 15,533.95, off its low of 15,284.65. The main signal from the auction, say analysts, was the strength of demand in the luxury sector.

Here, prices rose by more than 60 per cent between the end of June 1996 and the same date this year.

Yesterday's winning bid is equivalent to HK$16,114 per square foot, underlining Hong Kong's standing as one of the world's most expensive property markets.



Reuters adds from Shanghai: A Japanese group yesterday defied a sagging Shanghai property market and broke ground on a US$630m skyscraper, to become the world's tallest building when finished in 2001. The Shanghai World Financial Centre in the city's Pudong District will be 8 metres taller than the world leader, Kuala Lumpur's Petronas Towers.

Japan to liberalise internet services

By Michiyo Nakamoto in Tokyo

Japan's telecoms authorities have liberalised international internet telephone services in a move expected to trigger competition and significantly to cut the cost of making international phone calls from Japan.

The Ministry of Posts and Telecommunications said the liberalisation would enable telecoms service providers which do not own their own telephone lines to offer international call services using the internet on leased lines.

As a result of the ministry's deregulation, AT&T Jens, a subsidiary of the US operator, will offer internet phone services which will cut the cost of making a call from Japan to the US by 78 per cent. Other service providers plan to offer internet phone services at significantly lower rates than at present available.

The start of international internet phone services is likely to encourage incumbent carriers to lower their rates as well.

"On average, international phone call rates are expected to fall 15-20 per cent each year over the next five years" as a result of new entrants, such as the internet phone service providers, says Mr Paul Saferstein, analyst at Morgan Stanley Dean Witter in Tokyo.

Japanese international call rates are the highest in Asia and 2.5 times those of the US, he says.

Japan's international phone market has largely been restricted to the three main international phone operators and several smaller call-back service providers. Since Japan does not yet permit connection of leased lines to public lines at both ends, it has not been possible for service providers to lease an international line and offer services at cheaper rates.

As a means of further triggering competition, the ministry decided to liberalise international internet telephony ahead of plans to deregulate, by the end of the year, the international leased-line market, to allow the connection of leased lines at each end to the public network. This move is expected further to increase competition in the international market.

Meanwhile, Japanese domestic carriers, which are expected to enter the global market in coming years, are likely to increase pressure on existing international carriers.

ASIA-PACIFIC NEWS DIGEST

Chinese set congress date

China's ruling Communist party said yesterday it would open what will be its most important policy-making meeting in five years on September 12. Preparatory work for the 15th party congress had been completed, the Xinhua news agency said. The congress is important because it will set policy and elect the leaders who will rule China into the 21st century. The meeting, expected to last a week, will be preceded by about three days of working sessions, expected to start September 9.

China's ruling party traditionally shrouds such meetings in secrecy, even keeping the dates from the public, saying party affairs are no one else's business.

Party reformers and hardliners have been jockeying for position in the run-up to the congress. Jiang Zemin, China's Communist party chief, is expected to use the congress to win a vote of confidence for his bold plan to reduce the state sector in the economy. The party leadership has dragged its feet on the issue because of fears that bankruptcies would result in mass unemployment and social unrest. *Reuter, Beijing*

■ MISSILE PROLIFERATION

N Korea pulls out of US talks

North Korea pulled out of talks with the US on missile proliferation that were to have started yesterday in New York and its delegation was heading home, US State Department officials said. They said the three days of talks had been postponed and it was not know when they would be held. The delay came one day after the department announced that the North Korean ambassador to Egypt and his brother, a diplomat in Paris, had sought and received asylum in the US.

The talks were to have dealt with US concerns over North Korean exports of ballistic missiles. Next month four-party talks between North and South Korea, the US and China are due to resume in Geneva to bring a formal end to the 1950-53 Korean war. In Pyongyang, a foreign ministry spokesman called for the two defecting diplomats, ambassador Jang Seung-gil and his brother Jang Seung-ho, to be extradited to North Korea to face trial. He called them "criminals". *Reuter, Washington*

■ INDONESIAN MINE

Fund disbursement delayed

Freeport McMoRan, the US natural resources group, is attempting to reduce tensions near its Grasberg mine in Irian Jaya; Indonesia, one of the world's biggest and lowest-cost copper producers, by holding back a second payment from a trust fund it set up to help local people. The fund is to distribute 1 per cent of Freeport Indonesia's adjusted gross revenue, or about $15m for 1996.

Three church groups warned last week that, unless changes were made in the way the funds were disbursed, a second payment could spark tensions or tribal warfare. Two Indonesian tribesmen were shot dead last week in clashes provoked by disputes over the distribution of funds. A Freeport official said yesterday his company accepted that the fund disbursement mechanism should be reviewed. *Kenneth Gooding, Mining Correspondent*

China's PCs win back home market

Donghai computers sell faster than their foreign rivals, writes **James Harding**

In Liu Shangtong's small shop on Shanghai's "Computer Alley", the Hewlett-Packard printers are tucked away behind the door while the Donghai desktop computers are piled up and "ready to go".

"Personal computers are hot. The price of an HP, an IBM or a Digital computer is much higher than the Chinese brands," says Mr Liu, explaining why the Shanghai-made Donghai PCs are selling faster than their foreign rivals.

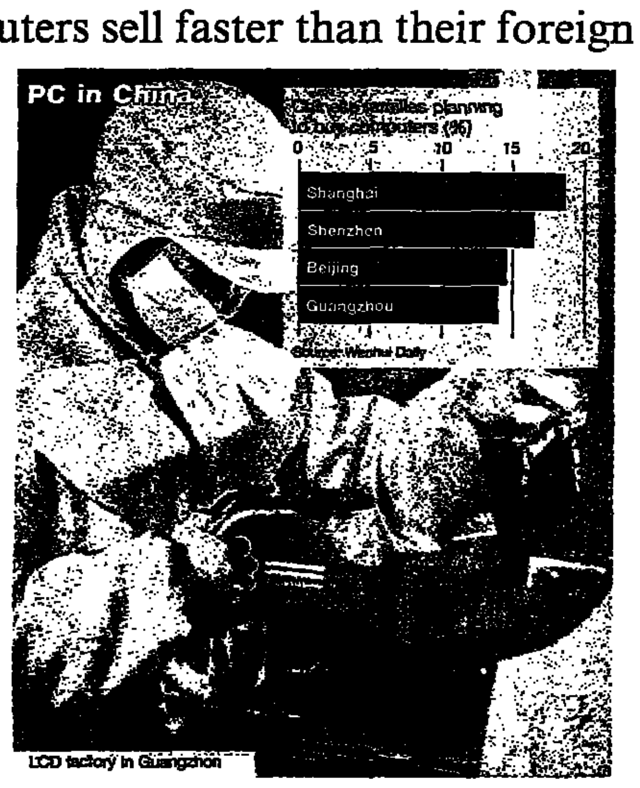
China's PC manufacturers are winning back the home market they surrendered to foreign computer companies in the early 1990s, underlining how quickly the Chinese consumer electronics industry has moved up the technology ladder.

For international PC producers, the rapid improvement of locally made, low-cost computers has made the battle for the Chinese PC market tougher, just as the PC business in China is becoming lucrative.

In the first half of this year, China became Asia's biggest PC market, overtaking South Korea as falling prices and soaring household demand have driven up purchases of PCs, according to Dataquest, the market surveyor. Official Chinese figures see the market exceeding 3m units this year, 50 per cent higher than the 1996 level.

While most foreign PC producers have seen turnover rise, or at least sustained by market growth, sales of Chinese-made machines have soared: The Ministry of Electronics Industry, which oversees the state-owned PC producers, says 820,000 domestic-brand personal computers were sold in the first six months of 1997, up 94.2 per cent on the same period last year.

Foreign companies seem to be ceding market share. China Research Corporation, a domestic market analyst, calculates that IBM's share of the desktop market fell to 6.7 per cent in January-June 1997 from 7.9 per cent in the same period last year; Compaq's share slipped to 6.2 per cent from 8.2 per cent, with AST's down to 3.8 per cent (7.9 per cent).



LCD factory in Guangzhou

Chinese companies such as Legend Group, the most successful PC producer in China, Founder, the company spun out of Beijing University, and the smaller Shanghai Computer Factory, which makes the Donghai range of PCs, are taking larger and larger slices of the market.

Legend has seen its market share rise from 8 per cent to 10.4 per cent in the same period, market research shows. "We are highly *market-sensitive*," says Wang Yan, at Legend's headquarters in Beijing, "so we started cutting the price of our products early and expanded market share.

"Legend's technology does not lag far behind our foreign rivals and we have a much better understanding of the Chinese market and customers." Legend, a state-owned company set up in 1984 from within the Institute of Computer Technology at the China Academy of Sciences, says PC sales have grown from 100,000 units in 1994 to 215,000 last year. It forecasts sales of 400,000 in 1997. "We don't want special government protection as there is little you can do about overseas competition. The only thing we can do is develop our products and make our own living," Mr Wang says.

Founder, the leading company in Mandarin Chinese electronic publishing, is also making inroads: PC sales accounted for one quarter of the group's HK$1.4bn (US$180m) sales last year; it plans to raise PC production to 80,000 in 1997. Shanghai Computer Factory intends to raise output from 20,000 units in 1996 to 40,000 this year and 100,000 in 1998.

Chief selling point of Chinese brands has been price: The Donghai "Sea Leopard", a comprehensive desktop with 16Mb RAM and 1.2Gb hard drive, retails at Yn8,210 ($990), about a third cheaper than an equivalent Hewlett-Packard machine.

Cheaper local products have forced foreign brands to cut their prices. Acer of Taiwan announced last month it was cutting prices 20 per cent. Distributors in Shanghai say IBM and Compaq have cut prices by 10 per cent to attract local prices.

Fu Bin, IBM's general manager for PCs in Shanghai, says the company will "follow the market price." IBM is "fighting a long-term war. We are not the leader on price, but the leader in technology and service," he says.

Mr Fu acknowledges "Legend has been gaining market share more quickly than IBM" but adds the rise of Chinese brands reflects two factors in the Chinese market.

First, the rapid rise in family and small-business users of personal computers. Mr Fu argues it is in this segment of the market, where high-cost, high-quality foreign machines barely compete, that Chinese producers are gaining market share, but at the expense of Chinese unbranded producers of "clone machines" rather than companies such as IBM.

Second, there is the state market. Chinese government offices, state-owned enterprises and airlines, post offices, banks and railways, "prefer to use national brands," says Mr Fu.

In his shop, Mr Liu agrees that state companies would rather buy Chinese-made goods. But it is price, rather than patriotism, which really attracts the local buyers, he adds.

Treasurer faces rebuff in referendum on compulsory scheme

NZ pension row hurts coalition

By Terry Hall in Wellington

New Zealand's treasurer, Winston Peters, seems set to receive a rebuff in his bid to win popular support for a new compulsory pension scheme.

Polls show that 75 per cent of people intend to vote against what is known as the Peters Plan, in a referendum on the plan to be held early next month. A large No vote could damage Mr Peter's position as treasurer, already under increasing pressure. Earlier this month he refused to apologise after being criticised by a commission of inquiry into the so-called "winebox" corporate tax avoidance.

Mr Peters rejected the report and seems likely to seek a judicial review in spite of repeated requests from the prime minister, Jim Bolger, to let the matter rest.

The issue is causing enormous problems for Mr Bolger and is putting the National-NZ First coalition he leads under pressure. What is of particular concern is that Mr Peters is at loggerheads with powerful sections of the business community, which has traditionally been close to the conservative National party.

The pensions referendum is shaping up to be another significant test for the coalition. Many senior National party cabinet ministers have openly defied Mr Bolger by condemning the proposals.

The scheme would, in effect, abolish the taxpayer-funded scheme and replace it with a compulsory programme requiring all workers to set aside 8 per cent of their pay towards long-term saving until it amounts to a target of NZ$120,000 (US$77,500), which on retirement would be invested to buy an annuity from a private savings company.

The government would "top up" the amount where the target was not met but the scheme would not be government-guaranteed or index-linked.

The Treasury team that designed the scheme has won praise from international and local pension experts for producing a policy, which it is believed would ultimately lead to a stronger economy and lower government spending.

The result of the referendum on the proposal will be binding on the government. The pension was a key plank in the coalition agreement that saw the National party link with New Zealand First last December.

Initially Mr Bolger strongly endorsed the need for compulsory superannuation, saying that the present pay-as-you-go taxpayer-funded scheme was unsustainable given current demographic trends.

However, objections from senior ministers have forced Mr Bolger to retreat, apparently in the interests of party unity and amid increasing speculation of a leadership challenge, or even his own political survival.

Outright condemnation of the proposal had mainly centred on the argument that compulsory pensions would be unfair to women.

One of the fiercest critics of the plan among senior ministers is right-winger Jenny Shipley, whose popularity has since soared in opinion polls. She is tipped to succeed Mr Bolger as National leader as early as next year.

Mrs Shipley has supported the findings of an independent body, the Todd Committee, which says the present state-funded scheme is affordable with possible modifications such as raising the retirement age to 67.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Prices for Trading on 28.08.97 | Firm Prices for Trading on [illegible]

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.28	10.14	10.14	0.00
0100	12.12	10.01	10.01	0.00
0130	12.12	10.01	10.01	0.00
0200	12.12	10.01	10.01	0.00
0230	12.12	10.01	10.01	0.00
0300	12.12	10.01	10.01	0.00
0330	12.12	10.00	10.00	0.00
0400	10.32	10.00	10.00	0.00
0430	10.32	9.90	9.90	0.00
0500	10.32	10.00	10.00	0.00
0530	11.81	10.16	10.16	0.00
0600	11.81	10.16	10.16	0.00
0630	11.89	10.16	10.16	0.00
0700	21.87	12.70	12.70	0.00
0730	22.18	15.85	16.27	1.15
0800	22.84	16.20	16.63	1.15
0830	22.90	16.20	16.63	1.15
0900	26.07	16.20	16.63	1.15
0930	29.50	17.02	17.44	1.15
1000	29.56	17.88	18.31	1.15
1030	26.71	17.88	18.31	1.15
1100	26.69	19.12	19.55	1.15
1130	29.56	19.12	19.55	1.15
1200	29.60	19.12	19.55	1.15
1230	29.55	19.12	19.55	1.15
1300	29.46	19.12	19.55	1.15
1330	25.42	17.13	17.56	1.15
1400	24.93	16.20	16.63	1.15
1430	24.09	16.41	16.83	1.15
1500	29.28	16.20	16.63	1.15
1530	29.28	16.41	16.83	1.15
1600	29.28	16.20	16.63	1.15
1630	37.12	16.41	16.83	1.15
1700	37.13	28.51	28.93	1.15
1730	37.12	28.51	28.93	1.15
1800	37.08	17.39	17.82	1.16
1830	24.03	17.39	17.82	1.15
1900	22.97	28.51	28.93	1.15
1930	22.86	28.51	26.93	1.15
2000	22.86	16.20	16.63	1.15
2030	22.86	12.70	12.70	0.00
2100	42.59	12.70	12.70	0.00
2130	42.59	18.82	19.25	1.15
2200	42.59	18.82	19.25	1.15
2230	22.34	20.66	21.31	1.15
2300	22.34	20.88	21.31	1.16
2330	21.87	16.20	16.63	1.15
2400	14.97	15.94	16.37	1.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.867 MWh becomes 1.8867p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of [illegible] the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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Ministers under pressure as failures in handling of the Montserrat crisis are admitted

Foreign Office unveils review of colonies

By David Wighton, Political Correspondent

Robin Cook, the foreign secretary, yesterday announced a review of policy towards Britain's dependent territories, after admitting there had been failures in the handling of the Montserrat crisis.

Mr Cook said the aim of the review would be to reaffirm Britain's commitment to its 12 remaining colonies and their 180,000 inhabitants. "We have to make sure that there is no suspicion of any neglect by Britain," he said.

Mr Cook said the time was right for a review following the handing over of Hong Kong and the problems thrown up by the Montserrat crisis. Although he insisted there had been no failure of policy on Montserrat, he added: "There has clearly been a failure of communication over the last few weeks."

The pressure on ministers over Montserrat increased yesterday after it emerged that they are likely to be brought before a committee of the House of Commons to explain their actions.

Mr Bowen Wells, chairman of the international development committee, called for members to return to Westminster to launch an immediate inquiry.

His intervention came as Bernie Grant, a backbench Labour MP, flew to the island in an effort to "patch up" relations. Mr Grant, chairman of the all-party Caribbean committee, has been highly critical of the government. Yesterday, he repeated his charge that comments made by Clare Short, the chief international development minister, had been "unhelpful". He said: "I think the megaphone diplomacy that was going on was totally uncalled for."

Mr Cook said he would lay out the conclusions of the review in a speech to the Dependent Territories Association in February.

The Foreign Office said the process "will look at any issues identified by the people of the territories who are those directly affected".

Tom Russell, UK representative for the Cayman Islands and chairman of the association, welcomed the review and Mr Cook's personal interest.

Following prime minister Tony Blair's moratorium on further policy reviews, the Foreign Office stressed that it was not describing the process as a "review" but as a "hard look at our policy".

● Britain's intelligence services are to help fight the drugs trade in south-east Asia, Mr Cook disclosed as he arrived in Kuala Lumpur yesterday. "There is evidence that the military government of Burma connives with the drugs trade," he told reporters travelling with him. "We will be using all our assets, including the work of our intelligence services, for whom work against the drugs trade becomes increasingly important as they free up resources from the end of the Cold War."

But he did not believe British personnel would be used in the drugs battle in all countries in the region.

Empire peoples are subjects but not citizens

Status of French and Dutch territories may find favour, says **David Wighton**

Despite recent ridicule of the government for its bewildering number of policy reviews since the May general election, yesterday's announcement by Robin Cook, the foreign secretary, of a six-month review of Britain's relations with its dependent territories has met with broad approval.

There have been widespread calls for a re-assessment since the handover of Hong Kong in July, until then by far Britain's largest colony. The government's problems over its handling of the Montserrat crisis have increased pressure for a new look at the 12 remaining colonial or "dependent" territories, which have a total population of 180,000.

This week Menzies Campbell, foreign affairs spokesman for the pro-European Liberal Democrat party, wrote to Mr Cook urging a comprehensive review. Announcing the move during his trip to Asia, Mr Cook said now was the time for a reassessment.

In an attempt to reassure the territories he said the aim would be to produce a "custom-made solution" for each of them.

This wording prompted concerns among dependent territories' representatives, although they enthusiastically welcomed the review as a whole. "To say he is looking for solutions suggests they are all problems," said one diplomat. "Most of them are not problems."

The diverse character of the territories is one reason the British government has found it tricky to organise its relations with them. They range from the relatively wealthy - Bermuda, Cayman Islands and Gibraltar - to islands such as Montserrat, which are poor and more vulnerable to natural disasters.

Those, again like Montserrat, which receive support under the aid budget have close relations with the Department for International Development, headed by Clare Short. For the others, the most important relationship is a direct one with the Foreign Office.

After the election there was a suggestion responsibility for all the territories should be moved to the Department for International Development. This appears to have been dropped.

In his letter to Mr Cook, Mr Campbell called for the review to consider re-establishing a separate department within the Foreign Office "staffed by specialists" attuned to the territories' requirements. Mr Campbell added yesterday that the government's disarray over Montserrat underlined the case for such a department.

The other prime issue Mr Campbell said the report should look at was the question of citizenship. Apart from those in Gibraltar and the Falklands, the territories' inhabitants do not have the right to British citizenship, with the people of St Helena having it taken away in 1981. All the inhabitants "are British subjects," he said, "but don't have the rights and privileges of British subjects."

But one territory representative suggested citizenship was not a priority for most territories. "What most would like is the right to travel through Europe without visas, just like people from French and Dutch overseas territories."

There would also be widespread support, the representative added, for following the French and Dutch model and calling them British overseas territories rather than "dependent territories".

Exports still growing despite strong pound

By Richard Adams in London

The Office for National Statistics stumped the City yesterday with trade figures for June showing exports continuing to grow in spite of the strength of sterling.

The international trade deficit surprised commentators by shrinking in June. Excluding trade in oil and large erratic items – such as jewels and aircraft – the deficit was £974m. This was a big improvement from May's £1.14bn shortfall.

The data reversed the previous trend in the trade balance, which had been for the deficit to worsen.

The biggest surprise came in the news that non-oil UK export volumes continued to grow faster than imports. The Office for National Statistics said that export volumes increased by 9.2 per cent in the year to June while imports grew by 8.1 per cent.

Exports have been predicted to see a steep fall for several months. Sterling has risen by 20 per cent against the currencies of its trading partners since last August, making exports more expensive and imports cheaper. Survey evidence from the Confederation of British Industry, the main employers' lobby, has put export orders at very low levels.

David Walton, an economist at Goldman Sachs investment bank, said: "I think it's hard to believe the trade numbers are as good as they seem, given the survey data from manufacturers recently."

Mr Walton said that the seasonally adjusted figures may not reflect the true trade position and expects the deficit to worsen.

But Dharshini David at HSBC Markets said the figures showed no signs of the strong pound hurting exports. Ms David said: "There's every sign that exporters are cutting prices to maintain market share."

The ONS said export prices excluding oil fell by 1.7 per cent in the second quarter compared with the first quarter. Import prices also fell, by 1.2 per cent.

The headline figure for June saw the trade deficit widen by £217m to £950m. But analysts said the headline figure looked gloomy because of unusual patterns in oil and erratic items.

North Sea oil production usually gives a boost to UK exports of around £400m. But in June, because of increased domestic demand and repair work on North Sea rigs, the surplus was only £198m – around half its usual level.

There may be further good news when July's total international trade figures are published next month. The ONS reported that the UK's deficit in trade with countries outside the European Union fell from £713m to just £65m between June and July.

Samuel Brittan, Page 8

PA News

Changes to Army training mean that instructors will shout less at recruits, John Reid, minister for the armed forces, (pictured with a recruit) said at the launch yesterday of a new training regime. The changes are a response to figures which show the Army under strength by 5,000 soldiers and high drop-out rates among those enlisted. Brigadier Andrew Cumming said the previous course had "overheated" recruits. "We were breaking people rather than building them up"

Scots assembly 'will be biased'

By James Buxton in Edinburgh

The Labour government's proposed Scottish parliament would be dominated by the country's central belt and would discriminate against other parts of Scotland, Michael Ancram, the opposition Conservative party's constitutional affairs spokesman, warned yesterday.

Mr Ancram attempted to appeal to people in Scotland who live outside the heavily populated central belt to reject a Scottish parliament in the referendum on September 11.

He said that, even though the parliament will be elected partly by proportional representation, it would still be dominated numerically by Glasgow, Edinburgh and the rest of the central belt.

"Within that Labour-dominated central belt," Mr Ancram said, "there is the whiff of the manure of corruption and the pork barrel, and of the politics of fear, some of which have recently suppurated through to the surface."

This is a reference to recent allegations of "sleaze" in Paisley, which led to last week's suspension by the Labour party of one of its MPs in the region.

Mr Ancram said he was worried by the decision of the Scottish national party to support devolution. "They see a Yes vote as the first real step on the road to independence for Scotland," he said.

In the 1979 referendum on devolution people living outside the central belt, in areas such as the Borders, Grampian and the Highlands, voted against constitutional change.

This time, however, opinion polls show all regions in favour of a Scottish parliament with tax-raising powers.

Yesterday it emerged that Tam Dalyell, the Labour MP who is a vigorous critic of his party's devolution policy, will join Mr Ancram and other anti-devolution campaigners in a TV debate just before the referendum.

Dublin politicians walk constitutional tightrope

Even-handedness must be shown in negotiations over Northern Ireland's future, writes **John Murray Brown**

Some taxpayers in the Republic of Ireland might be surprised to learn that they are paying for a study into why a united Ireland will never work.

The research funds provided to the Ulster Unionists – the largest pro-British party in Northern Ireland – are part of this year's I£1.2m ($1.9m) budget provided by the Irish government to help parties prepare for next month's all-party negotiations on Northern Ireland's future.

The 1937 constitution of the republic declares the national territory to be the whole island of Ireland. But, pending the reintegration of the national territory, laws passed by parliament apply only in the area of the Irish Free State, which did not include Northern Ireland.

The provision of funds to unionists is an illustration of a changed approach in the republic, as the government there tries to demonstrate an even-handed approach and counter the traditionally obstructive image of unionism in the republic.

The government is committed, as a signatory to the Downing Street Declaration, to the principle that there will be no change in the status of Northern Ireland without the consent of the majority – in effect a unionist veto over a united Ireland.

But Irish politicians also need to keep in step with nationalist attitudes in the republic, which can sometimes seem more radical than those of the Roman Catholic community in Northern Ireland.

This was illustrated when Queen's University in Belfast, the Northern Ireland capital, ordered the dismantling of Irish language signs at the students' union offices. The students' leader, a Belfast Catholic, justified it as a way to produce a more neutral work environment, and thus less threatening to Protestant students.

In the republic, however, both main newspapers criticised his decision. Radio stations were inundated with callers complaining about intolerance towards the Irish language. One newspaper suggested it was worse than events in Bosnia.

Many people in the Irish Republic, few of whom have any direct experience of terrorist violence, are only too happy to see their government reward the republicans for ending their campaign with, for example, the early release of prisoners.

At the same time, however, there is a lack of interest in events in Northern Ireland – a view that northerners should sort out their problems among themselves, and not involve the republic.

Gerry Adams, the president of Sinn Féin, the political wing of the the Irish Republican Army, is seen by many to delude himself when he asserts that most people in the Irish Republic believe a united Ireland is the most desirable outcome to negotiations.

MRBI, the main opinion polling company in the Irish Republic, found recently that around a third of those asked wanted a united Ireland while 28 per cent suggested some form of joint sovereignty and 21 per cent favoured an independent Northern Ireland. Around 10 per cent wanted the region to remain part of the UK.

David Trimble, leader of the Ulster Unionists, believes that the people of Northern Ireland, whether Catholic or Protestant, have much more in common with Scots and Liverpudlians (people from the north-west England city of Liverpool) than they do with Dubliners.

Dubliners, he says, have an umbilical link with the home counties of southern England and the English town of Cheltenham - a reference to the annual racing festival patronised by thousands of Irish punters - rather than with the northern part of Ireland.

Nevertheless, the Irish government will play a big role in negotiations on the constitutional future of Northern Ireland, both as guarantor of the process and, through its commitment to change the Irish constitution to reflect a new settlement, ending its territorial claim.

Fianna Fail, the main government party and the guardian of constitutional Irish republicanism, is seen by many as the one party with the authority to deliver the changes. But Irish officials also insist that constitutional change must be part of a wider political package agreed by the parties.

Warning on 'decommissioning'

The Ulster Unionists, the largest pro-British party in Northern Ireland, yesterday warned that talks on the constitutional future of the region could not start until there was further progress on arrangements for "decommissioning" weapons held by paramilitary groups, David Wighton writes. David Trimble, party leader, attacked as "an admission of failure" Tuesday's agreement between the governments of the UK and the Republic of Ireland about the setting up of a commission to oversee the handover. "All we have got is an agreement to establish a commission – a commission that has not even been set up yet and nothing has been decided on who will be part of it." He said the process was being sabotaged by "people who don't want to see 'decommissioning' occurring and by extension don't want to see the talks succeeding".

Editorial Comment, Page 9

UK NEWS DIGEST

Airliners missed crash by 200m

Two airliners came dangerously close to colliding over south-east England after an air traffic controller instructed the wrong pilot to descend, the Joint Airprox Working Group – which studies airmisses – said yesterday. It was a "very serious" incident, the group added.

The pilot of the higher of the two Heathrow-bound British Airways Boeing 757s spotted the danger and climbed to safety as the aircraft came within less than 200m of each other. The higher of the two planes was flying in from Paris Orly with 165 passengers and seven crew. The other was carrying about 150 passengers from Geneva. The pilot who took evasive action last November's incident said there had been "a high risk of collision" and that one would have occurred if the weather over Biggin Hill had not been good.

The two planes were stacking as they waited to land. They were so close that the air traffic controller could not read their overlapping identity tags on his radar screen. The controller wanted the lower aircraft to descend, but mistakenly gave the order to the pilot of the higher aircraft, who descended for 30 seconds before climbing to safety.

"Had it not been for the excellent daytime visibility, which enabled the [higher] pilot to ensure visual separation was maintained, a more serious incident might have resulted," said the report. It added that the controller might have become confused as the aircraft were of the same type, operated by the same company and had the same call-sign prefix.

● Two British Airways pilots suspended after a five-year-old girl was seen in the cockpit of a Heathrow-bound jet have been cleared of any wrongdoing, the airline announced yesterday. The men were investigated after allegations that the girl pushed buttons on the flight deck of a Boeing 757 from Nice.

"The Civil Aviation Authority has been informed and made it clear that it is satisfied that this was an internal matter for British Airways only," the airline said. The two pilots were in control of the aircraft at all times and would never have jeopardised the safety of passengers.

Britannia Airways, the UK's biggest holiday airline, has also been carrying out an internal inquiry. The airline suspended two pilots after the wife of one of them was allegedly seen in one of the pilot's seats on a flight last month. A decision is expected next month.

■ DRINKS INDUSTRY

Five 'alcopops' are withdrawn

Five "alcoholic soft drinks" are to be withdrawn from sale following criticisms by the Portman Group, the industry watchdog, over unacceptable marketing practices. Eight other "alcopops" are also to be renamed or repackaged – in most cases following complaints that they were targeted at under-age drinkers.

The Portman Group, which is funded by the drinks industry, said the prompt action by all 11 companies which had broken its voluntary code demonstrated the success of self-regulation.

The five drinks to be withdrawn include Allied Domecq's Barking Frog and the J Sainsbury store chain's own-brand alcoholic lemon drink. Both were ruled to have used images likely to appeal to under-18s. The makers of the alcoholic milk drink Moo, which caused uproar when it was launched in July, have agreed to change its name to make it less appealing to under-18s. Other products such as Cott Europe's Vixen and Welsh Distillers' Raw Passion were criticised for linking their products to sexual success or prowess. Alcohol Concern said it was encouraged by the response, but suggested that many of the companies would have withdrawn the drinks anyway on commercial grounds. *John Willman*

■ OVERSEAS DEVELOPMENT

Cashflow problem hits aid group

A cashflow problem has forced British Executive Service Overseas, the charity which last year sent more than 600 senior volunteers on aid assignments, to reduce its activities. Beso has expanded rapidly in recent years, providing developing and former eastern bloc countries with advice on privatisation, restructuring, financial services and administration.

However, the charity said it had underperformed recently in raising donations and received less or was subject to delays in receipts from other funding organisations, such as the European Commission. Mr Peter Smith, chairman of Beso's finance and general purposes committee, said there would be a "substantial" reduction in the number of assignments in the current year. Mr Smith said there was "no crisis" and stressed that the charity's finances had been put back on an even keel, with a small surplus expected at the end of the current financial year. Beso's annual budget is about £2m ($3.26m) and its biggest stakeholder is the UK Department for International Development. *Andrew Bolger*

■ STATE HEALTH SERVICE

Minister orders 'rebranding'

Frank Dobson, chief health minister, has ordered a "rebranding" of the state health service in an attempt to redress a process of fragmentation in the last decade. Mr Dobson is concerned that the Thatcher government's health reforms of the 1980s diluted the impression of a truly national service by creating scores of semi-independent trusts.

Mr Dobson wants all health service organisations to include the service's new logo on their signs and stationery. The exercise will coincide with government plans for a nationwide celebration of the 50th anniversary of the foundation of the service next July. The government intends to mark the anniversary with a series of events drawing attention to the fact a Labour administration set up the service. *George Parker*

■ E.COLI OUTBREAK

Bathroom catering business closed

A catering business run from a converted bathroom was closed by magistrates yesterday in Birmingham, the second largest city in England. It was the second catering business in two days to be served with an emergency ban by magistrates in the city. Officers described the premises as "filthy and dirty" with some fittings "incapable of being cleansed thoroughly". The business was inspected because it provided chapatis for a wedding feast this month at which an outbreak of e.coli is thought to have arisen from infected lamb.

Two four-year-old victims, who may have eaten infected food brought home from the wedding, could face a lifetime of kidney problems. The boy and girl are expected to recover from the food poisoning, but doctors fear their kidneys may be beyond repair.

■ INTERNATIONAL SURVEY

London hotels 'most expensive'

London's hotels are the most expensive in the world, according to a global survey of prices and earnings by UBS (United Bank of Switzerland). It says the cost of an overnight stay in a London hotel exceeds $400 compared with a global average of $270. However, London's restaurants offer good value compared with those in Asian cities and in Moscow. Overall, London was the world's ninth most expensive city in a top 10 led by Tokyo and dominated by Scandinavian cities. *Andrew Bolger*

ARTS

Cinema/Martin Hoyle

Naked hokum

Two fairy stories this week, one American, one British, each very much a product of its culture. The Americans take paranoia as a starting point to put over that well-known message: just because you're paranoid does not mean that everyone isn't out to get you. The English one focuses on underdogs, watches them muddling through a ludicrously unlikely ambition, and allows them a brief, heartening triumph. Both films are improbably cheerful, gloss over the implied ugliness of plot and setting, and require a mine full of salt to be taken with their happy-ish endings.

Conspiracy Theory deals with a New York taxi-driver obsessed to the point of nuttiness by "them". The Vietnam War was the result of a bet between Howard Hughes and Aristotle Onassis; the new hundred-dollar bills have tracking devices planted in them; the sperm of Nobel prizewinners' fathers is stored in deep-freeze conditions under the skating rink… Jerry Fletcher makes the average London cabby sound like Bertrand Russell for clarity and wisdom.

Mel Gibson plays him with a light touch, so that the scenes between Jerry and the lawyer he worships from afar (and, more disconcertingly for her, close up), take on a faintly zany comic edge. Neither Gibson nor Julia Roberts is up to the Dick Powell-Rosalind Russell level of delivering cyanide-laced froth; but then Brian Helgeland's script takes a vicious and typically late 20th-century turn: in his semi-coherent babbling Jerry hits on some sort of truth. In fact Jerry is not entirely what he seems. Cue car chases, kidnappings, truth-drugs, and references to the CIA, FBI and sundry other portentously-initialled institutions.

John Schwartzman's camera-work turns New York into a darkly gleaming, strobe-streaked nightscape whose thin smoking crust covers heaven knows what seismic nightmare of world destruction. Richard Donner's direction veers too often between sending up American paranoia and giving it its head – not to mention sending up the send-up *and* the genuine menace – resulting in a multi-layered film not quite certain which weight to punch at.

But Gibson, engagingly lined, initially convincingly bonkers, and touching in his gallantry (a nod to another, *the* other, famous filmic taxi-driver), plays well with Roberts, as lustrous and dewy as ever, with a new thread of steel running through her performance.

CONSPIRACY THEORY
Richard Donner

THE FULL MONTY
Peter Cattaneo

At two hours 20 *Conspiracy Theory* is 20 minutes and a couple of twists too long, but entertaining tosh, hugely enjoyable hokum, all the same.

And not much more unlikely, when you come down to it, than *The Full Monty*. An unexpected runaway success in America, this gritty tale of a group of the Sheffield unemployed becoming male strippers is perhaps seen as a blessed antidote to Merchant-Ivory or Hugh Grant versions of Englishness. The cinema seems to lag behind the other media in subject matter, however; male strippers have provided the theme for both stage plays and, in the last few years, a television drama with some similarities to *Monty*.

The full Monty apparently means complete nudity, recklessly promised by the ill-assorted group of self-taught strippers. Skinny, fat, young, old, well-endowed or ashamed of their bodies, they look ominously like the cast for your average strenuous whimsy about lovable salt-of-the-earth horny-handed sons of toil.

The publicity comes loaded with significance – about how we see gender, men's changing role, the indignity of unemployment, according to the producer, one Uberto Pasolini. We can but wonder in wild surmise what another Pasolini might have made of male strippers in Sheffield. Or then again, perhaps not.

Like *Conspiracy Theory*, the film, as directed by Peter Cattaneo and photographed by John de Borman, adds a gloss to the surface of what should be ugly. They all have comfortable homes; nothing is really dirty. An eastern European watching this movie would want nothing better than to be unemployed in Yorkshire.

By the same token, aspects of the plot that are serious one moment (Carlyle's small son being involved in rehearsing the strip to the suspicion of watchful social services; a temporarily-employed security guard fleeing his job with stolen coats) are abandoned the next. If the film fails to follow through on issues it initially sets up as serious, why should we be bothered?

The acting carries it. Robert Carlyle leads the troupe, a far cry from his psychopath in *Trainspotting* and even further from television's over-whimsical Hamish Macbeth. As the lard-barrel afraid of losing his wife's love, Mark Addy is true and moving, as is Lesley Sharp in their scenes together. And the film climaxes with that much-heralded dance sequence with such infectious good humour that it's hard not to cheer for the ill-assorted hoofers – shades of the night-class terpsichoreans in *Stepping Out* on stage, or Dennis Christopher winning the bicycle race in *Breaking Away*.

You leave the cinema on a wave of good will. That, as Miss Prism noted, is what is known as fiction.

Entertaining paranoia: Mel Gibson and Julia Roberts in 'Conspiracy Theory'

Edinburgh

Keyboard skills

Two piano recitals at the festival last week provoked comparisons. In the big Usher Hall, for which her tone is barely big enough, Maria Joao Pires played a programme quite different from her advertised one. In the little Queen's Hall young Leif Ove Andsnes delivered exactly what he had promised, a notch too loudly for the available space – but bluntly, almost puritanically concerned with exposing the music whilst absenting himself from notice.

That was very satisfying in his two Haydns, the E-flat sonata of 1790, and the strange, spare C-sharp minor one from ten years earlier. Using scarcely any pedal, Andsnes recreated 18th-century manners on his large modern Steinway. Definiteness of intention was the order of the day: no personal whims, no fantasy, just exact and thoughtful playing, and robustly lucid.

He allowed himself more overt virtuosity in Liszt, the second Ballade and the late, obscure 4th "Mephisto" Waltz and 4th *Valse oubliée*; and also in Beethoven's patchy G minor Fantasia, which needed all Andsnes's digital brilliance to keep it alive. As for the E-flat sonata, known as "Les Adieux", Andsnes made it gripping from its doleful prelude to the *vivacissimamente* that celebrates the homecoming of Beethoven's patron, Archduke Rudolph.

In sum, this was a proper festival programme, not a run-of-the-mill pianistic display, by a notable young artist who has no "side" at all. The programme that Pires suddenly decided to offer was not quite run-of-the-mill – but it showed off her powers much less well than her originally announced menu would have done.

We expected to hear Schubert's lovely A major sonata D.664, in which her lyrical spontaneity should have been ideal, and some Fauré nocturnes, and one of Bach's French Suites. Instead she chose to play Beethoven's marvellous op. 109 sonata, which Pires rendered as a charming water-colour, and later an "Appassionata" that sported many good ideas in a lightweight mode but fizzled out during the final *presto* coda, here a tired-fingered mush. Neither strength nor stamina are really among her virtues.

Between the sonatas she tucked in the four Impromptus (D.899) of Schubert, and the much-loved *Moments musicaux*: artfully, winningly played, if not to the taste of sober Germanic purists. As a whole, nevertheless, this substitute programme was a let-down. We had a right to expect more from this often inspired pianist; she ought to advertise future programmes as "provisional", or "subject to the artist's whim".

David Murray

Ian Shuttleworth reviews comedy and drama on the Edinburgh Fringe

Witty visuals and verbals

It cannot usefully be called "mime" or "clowning", and the term "visual theatre" may misleadingly suggest spectacle rather than sight-gags. Whatever it is, though, this strain of comedy has become a more and more abundant crop, with several worthwhile blooms in evidence on this year's Fringe.

The Spanish company Yllana, in *Glub Glub!* (Gilded Balloon, venue 38) are closest to all-out mime, relying on minimal props, minimal verbals (and those mainly nonsense) and a lot of highly skilled shape-throwing. The show contains some inspired moments, but much of the business seems a bit too easy, and the "theme" of sailors and the sea hangs loosely upon the sketches without imposing any sense of narrative.

The latter problem also affects Peepolykus, only more so. *I Am A Coffee* (Pleasance, venue 33) shows every sign of having a "plot" simply shucked onto a string of sketches; the convoluted story of a time-travelling postman being abducted by a pair of fishmongers whilst trying to deliver a postcard to the Pope is not exactly coherent. The Peepolykus company is immensely cheerful, but – especially when trying out new material – sometimes its members fall prey to the trap of responding too much to each other and not enough to the audience.

Hoipolloi mines a gentler vein in *Dead On The Ground* (Pleasance), the story of a man snatched prematurely by his supervising angel and their subsequent attempts to conceal this administrative cock-up from the heavenly big cheese. The company has made a positive decision to work in a particular mood and do it well, but the frenzy of Edinburgh does nothing to alleviate a niggling "so what?" feeling.

Rejects Revenge has been gaining in stature over the last couple of years, and *Dusty Fruit* (Pleasance) lives up to all expectations. Wordier and less frenetic than the company's more recent shows, the tale of a pair of incompetent removal men attempting to strip a haunted house before it crumbles over a cliff provides plenty of fine opportunities for both verbal and visual humour. The trio of Rejects exude an air of Englishness at its most appealing, of cricket on the green and amiable twitdom, and currently occupy the silver medallists' podium in the visual comedy field.

The unchallenged laureates of the form, though, remain The Right Size. In 1995, *Stop Calling Me Vernon* was one of the hottest comedy tickets of the Fringe, and with *Do You Come Here Often?* (Stella Artois Assembly, venue 3) they have surpassed themselves. Basing their story on a true incident of being trapped in a bathroom, performers Hamish McColl (the knowing, neurotic, daft one) and Sean Foley (the innocent, bemused and even dafter one) generate an hour and a quarter of simply glorious business with comedy beards, a mobile toilet bowl and competing addresses to the audience, who laugh so long and hard that inevitably they are often still guffawing when the next gag comes along. This is not so much The Right Size's breakthrough as its apotheosis. The remainder of the show's Edinburgh run seems already to be sold out; if so, sell a kidney for the wherewithal to bribe the front-of-house staff to admit you.

Even classical music has begun to take on board the visual-comedy form. At the Traverse (venue 15), *the gogmagogs gigagain* features a string septet playing works ranging from Mike Westbrook to Palestinian Said Murad whilst impersonating a cinema audience, a Day of the Dead celebration or even (in darkness, their bows picked out by ultraviolet light) a school of fish. They still seem more of a novelty act than a full show in their own right, but are gaining in assurance all the time and occasionally capable of astonishment. Now, put them in a shower cubicle with The Right Size…

All shows run to August 30 (0131-226 5138).

Heart and Massage

Caryl Churchill's double bill *Blue Heart*, presented by Out Of Joint at the Traverse, begins with a series of Ayckbournian timeslips. In *Heart's Desire* a family await the arrival home of their daughter from Australia; the same opening lines – "She's taking her time", "Not really" – are heard time and again until they, and the accompanying movements, acquire a comedy simply through repetition.

Gradually it becomes apparent that we are watching scenarios running through the heads of each of the characters: the exchanges and events they dream of occurring during the mundane business of waiting. Some scenes betray an authoritarian bent, some a desire to upset the family applecart, some are simply bizarre – without giving too much away, this is probably the first time Max Stafford-Clark has ever directed an emu. Finally we see the "authoritative", "objective" "reality" of the scene in its entirety.

After the interval, *Blue Kettle* also concerns clashing realities and the arbitrariness of events, albeit in a more sombre mode. Jason Watkins' Derek, for reasons best known to himself, collects mothers, pretending to be the son they gave up for adoption four decades ago.

As he deals in turn with a clutch of would-be parents and also with his disapproving girlfriend, occasional words of dialogue are replaced by either "blue" or "kettle". The frequency of replacement gradually increases, the words are cut down to single syllables or even single phonemes, until the final exchange – when the truth is revealed to one of his collection – is conducted almost entirely in this gibberish; we understand what is going on from the speaker's emotions and cadence patterns alone. The double bill is entertaining and intriguing, and cries out to be described in Edinburgh-shorthand as "off-beat".

At Stella Artois Assembly, meanwhile, Steven Berkoff continues his assimilation into the heritage industry. He may don a tight little frock and suspenders for *Massage*, but nothing else has changed. The England he writes about is simply the underside of that imagined by John Major – more squalid than the vision of warm beer and cricket on the green, but equally mythical. (For heaven's sake, his backdrop even includes a huge cartoon of Thatcher, and at one point his co-performer Barry Philips inveighs against rampant inflation – hardly up-to-the-minute stuff.)

His staging also betrays a sloppiness of theatrical vision: the same kitchen may be on- or offstage in the same set of scenes, as happens to be convenient, and Berkoff as "Mum" still drapes his housecoat left over right, wearing it as a man. His dramatic ode to the hand-relief industry is a brief sketch which, with digressions and irrelevant Berkoffian set-pieces, wilts over a full 90 minutes. Still, it is solid, traditional Berkoff; the knighthood beckons.

Both shows until August 30 (0131-226 5138).

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
● Berlin Symphony Orchestra: conducted by Eliahu Inbal in works by Korngold, Ligeti and Beethoven, with cello soloist Peter Bruns; Aug 28, 30
● German Symphony Orchestra of Berlin conducted by Vladimir Ashkenazy in an all-Beethoven programme, with piano soloist Louis Lortie; Aug 30, 31

■ EDINBURGH

Edinburgh International Festival
Tel: 44-131-473 2000
CONCERTS
● Bank of Scotland Fireworks Concert: Brad Cohen conducts the Scottish Chamber Orchestra in the traditional Festival finale. The programme includes Shostakovich's Festival Overture, and works by Handel and J Strauss. If you can't get a ticket, try the view from Calton Hill; Aug 28
● Bach Organ Works: organist Peter Hurford plays a series of 15 concerts at Greyfriars Kirk. The performances are Tuesdays to Saturdays at 5.45.pm. On Thursdays he is joined by singers of the Dunedin Consort; to Aug 30
● Black on White: by Heiner Goebbels, whose jazz, rock and world music-influenced compositions have won him European celebrity, although he remains a relative unknown in the UK. This piece, subtitled *Music Theatre for Eighteen Players*, is performed by Ensemble Modern, with sets and lighting designed by Jean Kalman, costumes by Jasmin Andreae; at the Royal Lyceum Theatre; Aug 29, 30
● Archive Recordings: as part of the Festival's 50th birthday celebrations, the Music Performance Research Centre at the Barbican Library has loaned a selection of archive recordings of concerts given during the early years of the Festival, which can be heard Mondays to Saturdays at the Queen's Hall from 11 to 30 Aug. Featured artists include Léonard Bernstein conducting the LSO on 28th. Tickets cost £2, most recordings last 45 minutes and begin at 2.15pm (1.30 on Sats)

DANCE
● Nederlands Dans Theater III: Tears of Laughter, choreographed by Jiří Kylián. Sister company of Nederlands Dans Theater 1, formed for mature dancers. Programme of five separate works; at the Edinburgh Playhouse; Aug 28, 29, 30

THEATRE
● The Cherry Orchard: by Anton Chekhov. After the success of last year's Uncle Vanya, Peter Stein returns to Edinburgh with Chekhov's most famous play, in a Salzburg Festival production seen there in 1995 and 1996. Jutta Lampe is Ranyevskaya. Performed in German with supertitles; at the Edinburgh Festival Theatre; Aug 28, 29, 30
● The Cocktail Party: by T S Eliot. Premiered at the 1949 Edinburgh Festival, this Royal Lyceum Theatre Company production of Eliot's drawing room comedy seeks to illuminate its hidden depths; the director is Philip Franks; at the King's Theatre; to Aug 30

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Singers: conducted by Bo Holten in a programme which includes works by Brahms and Schoenberg; Aug 28
● BBC Symphony Orchestra: with conductor Tadaaki Otaka performs Dvořák's Overture "Carnival", Lutoslawski's Cello Concerto – with principal cellist Paul Watkins – and Brahms' Symphony No. 1 in C minor; Aug 30
● Esa-Pekka Salonen: conducts the Swedish Radio Symphony Orchestra in works by Sibelius, Britten and Stravinsky; with soprano Dawn Upshaw; Aug 31
● John Dankworth: conducts The Dankworth Sextet, BBC Big Band and BBC Concert Orchestra in a joint 70th birthday tribute to Gershwin and Duke Ellington, with Cleo Laine; Aug 29
● Leipzig Gewandhaus Orchestra: Alfred Brendel performs the Piano Concerto in A minor Schumann wrote for his wife. The programme includes works by Wagner and Mendelssohn and is conducted by Sir Neville Marriner; Aug 28

■ LUCERNE

International Festival of Music
Tel: 41-41-210 3080
CONCERTS
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 28
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mendelssohn. With the Slowakischer Philharmonischer Chor; at the von Moos-Stahl-Halle; Aug 31
● Philharmonia Orchestra: conducted by Claus Peter Flor in works by Tchaikovsky and Shostakovich; with violin soloist Julian Rachlin; at the von Moos-Stahl-Halle; Aug 30

OPERA
● Jakob Lenz (1977/78): by W. Rihm. Performed by the Opernensemble und Chor des Luzerner Theaters and the Luzerner Sinfonieorchester AML. Conducted by Peter Kuhn in a staging by Reto Nickler; at the Luzerner Theater; Aug 28, 30

■ PARIS

EXHIBITIONS
Jeu de Paume
Tel: 33-1-4703 1250
César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the the different approaches and materials with which he worked, the exhibition includes almost 500 objects; to Oct 19

Musée National d'Art Moderne, Centre Georges Pompidou
Tel: 33-1-4478 1233
Fernand Leger: retrospective of the early modernist, who emerged from the Cubist revolution around 1910 to move towards abstraction. His experiences in the war and socialist principles led him back to figurative painting. The exhibition will travel to Madrid and New York; to Sep 29

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
SWF-Sinfonieorhester Freiburg: and the Edinburgh Festival Singers conducted by Michael Gielen in works by Holliger and Kurtág. With violin soloist Thomas Zehetmair; at the Grosses Festspielhaus; Aug 31

OPERA
● Boris Godunov: by Mossorgski. Conducted by Valerie Gergiev in a staging by Herbert Wernicke. Samuel Ramey sings the title role. Cast also includes Philip Langridge. With the Vienna Philharmonic, the Konzertvereinigung Wiener Staatsopernchor and the Slowakischer Philharmonischer Chor Bratislava; at the Grosses Festspielhaus; Aug 30
● Die Entführung aus dem Serail: by Mozart. New production. Conducted by Mark Minkowski and directed by François Abou Salem with designs by Francine Gaspar. With the Mozart Orchestra Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Residenzhof; Aug 28
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 28
● La Clemenza di Tito: by Mozart. Conducted by Gustav Kuhn, directed by Ursel and Karl-Ernst Herrmann and designed by Karl-Ernst Herrmann. With the Camerata Academica Salzburg and the Konzertvereinigung Weiner Staatsopernchor; at the Kleines Festspielhaus; Aug 29, 31

■ WASHINGTON

EXHIBITIONS
National Gallery of Art
Tel: 1-202-737 4215
Sculpture of Angkor and Ancient Cambodia: Millennium of Glory. Around 100 works dating from 6th-16th centuries make up this exhibition of Khmer sculpture, the first of its kind in the US. Previously seen in Paris, the show will travel to Japan; to Sep 28

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Economic Viewpoint · **Samuel Brittan**

A cycle far from dead

It is untrue that the sequence of boom and slump has come to an end. It is true that the world economic environment has become much less inflationary

Only a few years ago US business commentators pored over every slight variation in the economic indicators for signs of the next recession. Gross domestic product had only to falter for a three-month period for heavyweight pronouncements to appear warning that a new downturn was starting.

Now, after six years of steady growth with low inflation, the pendulum has swung to the other extreme. The trendy slogan is that the business cycle is dead. Even as solid a journal as Foreign Affairs runs in its July issue an article by Steven Weber, an associate professor of political science, who maintains that the waves of the business cycle are becoming ripples. He argues that "smarter government policy, globalisation, changes in employment, advances in information technology and emerging markets, all cushion shocks and dampen the familiar boom and bust".

In the same issue of that journal (which is rapidly becoming the leading forum for such debates) the economist Professor Paul Krugman assures us that the business cycle is alive and kicking.

The economy oscillates in response to shocks which can come in various forms, *including Japanese financial* bubbles, Middle Eastern wars and German unification. Prof Krugman goes on to explain that, for these shocks to produce recessions, two things must be in place.

First, there has to be a system of paper credit, which sooner or later contracts. *Second, a substantial* proportion of the economy must respond to drops in demand by cutting production rather than prices. Otherwise the financial contraction will only lead to price deflation without a fall in output. Of course Prof Krugman is right – and it is worth remembering that pronouncements about "the *end of the business cycle*" were just as prevalent when the long US recovery of the late 1960s was running its course as they are now.

But those who mistakenly celebrate the end of the business cycle are nevertheless on to something – even if it is not what they think they have discovered. There is a confusion in the current discussion between three *propositions:*

- That Wall Street, and perhaps other stock exchanges, are on a continuing upward path and will suffer no more than minor setbacks.
- That booms and slumps *in output and activity* have been thoroughly tamed.
- And that the world environment is much less inflationary than at any time since the 1930s.

The first two propositions are blatantly wrong. The third has a good chance of being right.

It only takes a glance at *charts in newspapers to see* that fluctuations in equity prices are larger and more frequent than cycles in real output and employment. As Paul Samuelson, the Nobel Prize-winning economist, once put it: "Sure the stock market is a good indicator of the business cycle. It forecast six of the last four recessions." Today, you do not have to expect a recession to worry about analysts' estimates that claim that equity earnings on Wall Street will rise by an *annual 11-15* per cent this year and next.

Though equity prices have fluctuated more than output or jobs, that does not *mean business cycles are* over. Rather, those cycles have been getting longer and more variable. After the second world war, there were a number of cycles characteristically lasting four to five years. The last *of these cycles* was that of 1969-73 (counting from peak to peak). The following cycle went on *for* six years to 1979. The one after that ran for around 10 years to 1989; and the subsequent cycle has still not come to an end. (UK dating is used, but any other would do.)

The claim that business *cycles are shallower applies* more to the US than elsewhere. In the UK the recessions of both the early 1980s and the early 1990s were deeper than anything that had gone before; and Prof Krugman reminds us that Japan, Canada and Mexico have also suffered large fluctuations. Indeed, most of the evidence adduced for thinking that the business cycle is moribund is really evidence about inflation. Mr Weber, for instance, plausibly argues that the forces that usually drive inflation – low unemployment and high capacity utilisation – do not seem to be operating "normally". His evidence is *from the US, but can be corroborated* from British data.

According to most mainstream models of inflation, pay is driven by two main forces. These are the rate of inflation and the demand for labour – for which unemployment *is taken as a* proxy. In Britain inflation has been fluctuating for nearly five years within a range of 2 to 3 per cent. Thus the main factor influencing pay should have been unemployment. This rose to a cyclical peak of 10½ per cent in the winter of 1992-93 and has now *almost halved. Yet pay rises* have obstinately refused to take off.

There is no shortage of ad hoc explanations for this. At any given rate of unemployment workers may be more worried about job security. Global competition may have made businesses reluctant to pass on pay increases in higher prices. Technological change may have made it easier for companies *to work at higher* rates of capacity without strain.

Alan Greenspan, chairman of the US Federal Reserve Board, is careful to list all these forces as possibilities rather than certainties. *He has been reluctant* to raise interest rates when conventional forecasting models say that unemployment is too low or that growth is too rapid. But he remains ready to move at a sign that the old inflationary pressures are coming back. Even the proverbially cautious Bundesbank several times delayed a tightening of monetary policy despite the urgings of commentators who have fretted over money supply data or the depreciation of the D-Mark.

The quiescence of inflationary pressure clearly poses something of problem to those of us who regard inflation as being mainly a reflection of excess demand. (Monetarism is simply one *variant of this school*, which sees monetary change as the driving force behind variations in demand.)

All the same, we should be reluctant to throw in the towel. The virtue of the demand approach is that *there is a single* framework into which the institutional changes can be fitted. The weakening of union power in the UK and the liberalisation of labour markets may have reduced the minimum unemployment rate compatible with stable inflation and thus made a low inflation goal more politically *feasible. But there is still* such a rate, however much we hope it is drifting down.

Another reason for sticking to a nominal demand framework is for policy purposes. If central banks aim at an average trend rate of growth of nominal spending of around, say, 5 per cent a year, they do not have to be *dogmatic about* where the inflation take-off points are to be found. Whether the real growth trend is 2 or 4 per cent, inflation will stay in a 1 to 3 per cent band – not every year, of course, but over a cycle.

On the other hand if they insist on trying to estimate the safety limits for capacity *utilisation and growth* directly, there is a strong risk that they will unintentionally set off quite severe inflationary or deflationary forces. Judging by events in Japan and Europe, errors have already been made on the deflationary side.

UK prices, unemployment and pay

Source: Datastream

BOOK REVIEW · Richard Lambert

THE DEATH OF THE BANKER: By Ron Chernow
Vintage Books, $12, 130 pages

Stark staring bankers

Bankers. Who needs 'em? For a few years more, they will continue crashing through the jungle, munching on vegetation and generally wreaking havoc. But the fate of such dinosaurs is inevitable.

In a stimulating little book, Ron Chernow seeks to explain the decline and fall *of the great financial* dynasties he has documented in the past: his big books are *The House of Morgan* and *The Warburgs*. But his analysis can be projected forward to ask questions about the future of finance itself.

At the peak of his splendour a century ago, J. Pierpoint Morgan controlled one-third of America's railways and more than two-thirds of the steel industry. He also figured largely in the affairs of several top financial institutions, in addition to the Morgan bank. How was such an accumulation of power *possible? And why would it* be unthinkable today?

By way of answer, Chernow pictures the financial system as a graph with three bars. As the middle man, the banker is in the centre, with providers *of capital* – private or institutional investors – and consumers of capital on either side.

In Morgan's time, the US had a ravenous appetite for money – to build the railways, to open up the west, to establish new industries. Its own capital markets were undeveloped, and there were no great regional banks. Investors were small and widely dispersed. Most company shares were held privately *by family members* and directors, and mergers took place behind closed doors. So the strength of the two outlying bars on Chernow's chart was feeble.

In the middle sat J.P. Morgan, sometimes known on Wall Street as Jupiter, with two compelling advantages. He had powerful connections in *London; in Chernow's* words, he stood astride the massive flow of capital between London and New York. Second, he had control of a commodity rarer than money: information. At a time when companies issued no reports and when government data were unreliable, a well-connected private banker had huge power.

What does the bar chart *look like today? Consumers* of capital have never had it so good. Governments and companies with the shakiest financial structures can raise long-term loans, and pay very little more than those with the soundest financial reputations. The credit rating of strong companies is better than that of most banks, which means they can raise money more cheaply than the middleman. For private citizens, credit is available at the supermarket checkout along with bacon and baked beans; bankrupts are offered credit *cards. In such a world*, the old image of the banker as a top-hatted curmudgeon has lost its meaning.

At the same time, providers of capital have never been so powerful. In the past decade, savers have shifted their assets into equity funds managed by professional institutions. The giant *firms of institutional* investors that have emerged as a result are only just beginning to realise their formidable strength.

Finally, bankers have lost what was perhaps their most valuable asset: control of information. Economic data, company news, market movements – all are available *instantly and cheaply*.

Where does this leave the middle bar on Chernow's chart? What is perhaps most surprising is how long bankers have managed to maintain their aura of power.

It was not so long ago that firms like Morgan Stanley were imposing strict conditions on giant companies that had the honour of doing business with it. In Germany and Japan, banks have maintained their aloof status. In a mischievous aside, Chernow argues that these two countries may be thought of as the Jurassic Park of the financial world, but that change is inevitable. He concedes that it would bring with it the modern evils of Wall Street, such as *marauding corporate raiders* and risky financial instruments. But on balance, he believes it would be for the best in both countries: it would release a lot of pent-up competitive energy, galvanise sleepy companies, and shake up *the staid hierarchical* structure of society.

Faced with these competitive pressures, bankers have ceased to behave as simple intermediaries. They have built fee income in areas like acquisitions and privatisations. And they have become providers of capital, creating huge buy-out funds in which *they invest their own money* alongside their clients'.

For Chernow, this year's merger between blue-blooded Morgan Stanley and the unstylish Dean Witter wrote the epitaph for the old Wall Street. Since the 1920s, Dean Witter had represented the middle American world of retail brokerage. As the two firms came together, the distinctions between Wall Street and Main Street looked *set to disappear*.

If this analysis is correct, the period of consolidation and rationalisation in the banking business has a long way to go. The banker's role has changed beyond recognition. But banking institutions have not yet been reshaped to reflect their diminished power.

The Death of the Banker *is available from FT Bookshop by ringing +44 181 324 5511 or fax credit card details to +44 181 324 5678 (post and packing £1.50 in Europe)*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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How road pricing can make motorists richer

From Mr David Rudd.

Sir, Your leading article "At a standstill" (August 22) *assumed that reducing the* number of motor vehicles on the UK's roads must inevitably be at the expense of one section of the population or another. But reducing that number by well-designed urban road pricing need not be at anyone's expense.

Consider, for example, 1m law-abiding motorists. At *present they pay annual* road tax at £145 ($236.35) each, giving a total revenue of £145m. Suppose that, under road pricing, 250,000 of them paid £200 each to drive in the peak hours, 500,000 curtailed their peak-hour driving a little and so paid *only £100 each*, while the remaining 250,000 drove only during the off-peak hours and/or outside the priced zones. The total revenue from the road-pricing payments of the first two groups would then be £100m.

Suppose that, at the same time, the annual road tax was reduced to £50. Then the *first group would pay* £250 in road tax plus road pricing; that is, £105 more than at present. Their gains would be in shorter journey times, consumption of less fuel, less frustration and better health – worth far more than £105 a year.

The second group's gains would be smaller but they would pay only £5 a year more than they pay now. The third group would pay £95 a year less, with a health benefit from lower pollution levels thrown in. And the revenue to the Treasury would be £5m greater.

The figures can be juggled, *but the important point is* that, if they show in the end that the total gains would be outweighed by the total costs, there is no point in trying to reduce the number of cars on our roads. There is no virtue in being miserable for the sake of it. If, on the other hand, the gains will be greater than the costs, it merely remains to share them out fairly so that no one is worse off.

Unfortunately, millions of innumerate people mistrust arguments based on numbers. But they may respond to a robust slogan. How about: "Road pricing will make you richer!"

David Rudd,
14 Colcokes Road,
Banstead,
Surrey SM7 2EW UK

Approval of Scottish candidates

From Mr John Marshall.

Sir, You report that the Labour party and Mr Donald Dewar, the chief minister for Scotland, say its candidates *for a Scottish Parliament* would be approved by a special panel (August 22). This *is a vain attempt by Mr* Dewar to distance himself from the failings of the Scottish Labour party.

Were not all the Labour candidates at the last election approved by a "special body" – the National Executive, on which Mr Tony Blair if not Mr Peter Mandelson sat? Are not Labour councillors *in Glasgow, Paisley*, Monklands and Renfrewshire approved by "special" panels? Why should this proposed panel be any different?

The Labour cabinet is dominated by Scottish MPs, who until Mr Gordon *McMaster's* recent suicide either ignored or were ignorant of the problems in Labour-controlled local authorities in Scotland. *Whether they were indifferent* or ignorant, they are certainly not competent to run the UK or a Scottish Parliament.

John Marshall,
MP for Hendon South,
1987-97,
28 Sherwood Road,
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Washington needs large tax cuts to revive the city's flagging economy

From Mr Allan Wendt.

Sir, Leslie Crawford's article ("The capital controller", August 22) on the plight of Washington DC conveys the impression the city's problems are primarily financial. These are indeed so serious as to require a federal *bail-out*, and they certainly aggravate all the city's ills.

But other factors are equally important in accounting for the sorry state of the US capital: inordinately high local taxation (just about the highest in the nation), a legal and regulatory framework fundamentally *hostile to business*, and the lack of competent government under home rule.

The latter has led to a bloated, unresponsive bureaucracy, waste, fraud, mismanagement, decaying infrastructure and deterioration of basic services. Throw in a high crime rate and it is no wonder that people and businesses have been fleeing to the suburbs – with consequent erosion of the city's tax base.

Unfortunately, the federal rescue package, while doubtless a shot in the arm to the city's finances, does not "introduce large tax cuts" as the article suggests. The *package provides only* limited tax incentives for first-time homebuyers, and new investment in targeted areas of the city. The disincentive of high local taxation – notably in comparison with the Maryland and Virginia suburbs – remains in place.

Large tax cuts are precisely what is needed to induce people and businesses to remain in the city or come back to it, thereby restoring the tax base, which is crucial to reviving the city's economy.

Allan Wendt,
3234 Volta PL NW,
Washington,
DC 20007-2731 US

Morning Star never funded by Moscow

From Mr George Wake.

Sir, With regard to Jimmy Burns' article 25), "Revolutionaries survive history's long march", August 27), may I point out that the People's Press Printing Society, *which owns* the Morning Star, is a properly constituted co-operative society, registered with the UK's Registrar of Friendly Societies under the provision of the Industrial and Provident Societies acts. It has some 39,000 members.

The PPPS has a properly elected committee of management from different parties, which is responsible to *its shareholders* at annual meetings, usually held in Manchester, Glasgow and London.

The shareholders agree the general lines of editorial policy (that is, developing an anti-monopoly alliance and opening the rest of the paper as a forum for the left).

The committee oversees the day-to-day running of the paper and is not controlled by *other organisations*. The paper is not, as your article states, the newspaper of the Communist party of Britain.

The Morning Star has never received injections of capital from Moscow or anywhere else. Perhaps if Mr Burns knows of any money due to the paper and gone astray, he should contact the undersigned.

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chairman for the committee of management,
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FINANCIAL TIMES

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Thursday August 28 1997

Angola in peril

The world is losing patience with Angola, and understandably so. Five months after a government of national unity was inaugurated in Luanda, the country appears to be reverting to civil war. The longstanding rivalry between the MPLA-led administration of President Jose Eduardo dos Santos and Jonas Savimbi's Unita movement is straining the settlement reached in Lusaka in 1994 to breaking point.

The MPLA is not without blame. The overthrow of former President Mobutu Sese Seko of Zaire deprived Mr Savimbi of his main ally and a valuable rear base. Mr dos Santos could not resist the temptation to attack Unita strongholds in an attempt to establish its military supremacy. But the burden of responsibility for the current crisis rests with Mr Savimbi, who has regularly flouted the peace accord, holding back thousands of troops from a UN supervised programme to create a national army.

After months of frustration, the UN is threatening sanctions against Unita, including bans on flights into territory it holds, travel restrictions on its leaders, closure of its offices in Europe and north America, and freezing of bank accounts.

While worth applying, they should go in tandem with renewed efforts to implement the peace accord. Sanctions are unlikely to be enough to persuade Mr Savimbi, a seasoned military campaigner who shrugged off an arms and oil embargo imposed by the Security Council in 1993, to abide by the Lusaka accord. Regional leaders such as Zimbabwe's Robert Mugabe should help the process.

In order to win more time for the negotiators, the UN must also agree to extend the mandate of the 6,000-strong UN force assisting in the implementing of the pact. Withdrawal of this force would almost certainly lead to renewed civil war.

The UN is rightly concerned about the cost of the mission which has averaged some $26m a month since early 1995. The time has come, however, for the UN to call on Angola to pay a substantial share of the bill. The MPLA runs an oil sector which produces 715,000 barrels a day, while Unita controls much of the diamond fields. But instead of funding recovery of a country devastated by nearly three decades of war, the receipts pay for two armies.

The MPLA should be asked to contribute to the cost of the UN operation, through a levy on oil receipts. Once the Lusaka accord – based on sound power-sharing principles – is fully implemented under a stable government, Unita, too, should be required to pay an appropriate share. This would be a small price to pay for peace, and would show whether the two parties are sufficiently committed to the accord.

Aubry's jobs

The clearest sign yet that the French government's holiday is over came on Tuesday when Louis Viannet, leader of the Communist-backed union CGT, declared the striking season open. Uncomfortably dependent on Communist MPs, the Socialist-led coalition is under mounting pressure to deliver on its pledge to fight unemployment. It will not find it easy.

Last week, details of the government's plan to create 100,000 public sector jobs in 1998 were outlined. Martine Aubry, the employment minister, must now explain how she intends to reduce working time to 35 hours a week, from the present 39.

The programme, which will be negotiated between unions and employers in September before going to parliament, is still on the drawing board. But leaks suggest that reductions will be phased in over three years and be accompanied by higher corporate taxes on overtime, as well as tax reductions for companies switching to 35 hours ahead of the deadline.

This plan primarily aims at cutting the unemployment statistics. It might even do so, provided negotiators concentrate on making working time more flexible, instead of merely reducing it. This means moving towards annualisation of working hours and ensuring that agreements are reached by individual companies, rather than whole industries.

Unfortunately, there is a strong possibility that the programme will make things worse. Reducing working time, without cutting total wages, would increase France's already high unit labour costs. In that case, the switch to 35 hours – or 32, as the CGT is requesting – would not only fail to reduce unemployment, but would lower aggregate hours worked in the private sector.

Even if wages were lowered, the proposal could reduce labour market pressures and so worsen the trade off between unemployment and inflation. That could ultimately result in even lower output and employment than before.

The fundamental objection to Mrs Aubry's scheme, however, is that it rests on the deeply pessimistic assumption that there is a fixed quantum of work, which it then tries to spread more evenly across the population. This is social engineering masquerading as economic policy. At best, the impact on output and aggregate hours worked will be nil; at worst, it could lead to a drop in total output, hours worked and even in aggregate employment.

To avoid making a bad situation worse, the government should at least try to moderate the most unreasonable demands of the unions, even if this risks another winter of discontent.

Ulster hopes

The "quarantine period" set by the UK government after the IRA announced its ceasefire on July 19 expires this weekend. Today or tomorrow Mo Mowlam, the Northern Ireland secretary, will say officially whether she finds the ceasefire sufficiently "genuine in word and deed" to allow Sinn Féin, the IRA's political wing, to join the all-party talks which resume on September 15.

All the signs are that she will so find. In sharp contrast to the previous ceasefire of 1994-96, British officials have found no evidence that terrorist units are still watching security personnel or other potential targets. Better still, the IRA has stopped the brutal "punishment beatings" through which it used to maintain control of its local strongholds.

That shows, once again, that it is a highly disciplined movement. The leadership which decided on the ceasefire has the power to enforce it, and is clearly determined to meet the conditions set by London for joining the all-party talks. One reason for this is that it has already secured a crucial concession: the British government no longer insists, as in 1995, on the "decommissioning" of some IRA weapons before talks start.

In fact that concession was made before the last ceasefire ended, when John Major accepted the Mitchell report – though he managed to obscure the fact by announcing elections to a largely meaningless "forum" at the same time. The Mitchell report requires participants in the talks to commit themselves to total disarmament of all paramilitaries, verified by an independent commission, and to forswear any attempt to influence the talks by use or threat of force, but not to implement decommissioning before talks start.

Unionists are not happy about this. Ian Paisley's Democratic Unionist party, indeed, has made clear that it will not sit down with Sinn Féin on September 15 in any circumstances. More important, however, is the attitude of the larger Ulster Unionist party. Its leader, David Trimble, has tried to finesse the issue by suggesting "proximity" rather than face-to-face talks. Sinn Féin has rejected this.

This is shadow boxing. Mr Trimble would look foolish if he insisted on sitting in the next room when the talks resume; but it is not remotely credible that Sinn Féin would boycott the talks because he did so. The truth is that the talks, while far from being assured of success, can now proceed in a much more hopeful atmosphere than anyone dared to imagine six weeks ago. No politician who stays away from them can expect his interest in peace to be taken seriously.

Kohl's simmering cauldron

Peter Norman argues that Germany's government is showing signs of the tiredness that gripped Britain's Tories

Germany's parliamentary summer vacation is traditionally a time of mischief-making when politicians, pale without the sun of publicity, seek out equally under-employed journalists to promote themselves and spike the aspirations of rivals.

This August, through an extraordinary combination of misadventure and miscalculation, Theo Waigel, Germany's long-serving finance minister, has occupied centre stage of what is known as Bonn's "summer theatre". By first calling for a cabinet reshuffle and then appearing to admit that he is weary of his job, Mr Waigel has put himself in the firing line and gravely weakened the already enfeebled three-party coalition government of Helmut Kohl.

The chancellor's latest crisis could have powerful effects outside Germany. Bonn under Mr Kohl has been the powerhouse of European integration. Over the next few months, the final decisions will have to be made about who will join the planned single currency in January 1999. The last thing the EU needs when member states are struggling to meet the Maastricht treaty criteria for participation is a government in Bonn preoccupied with parochial political problems.

The chancellor, on his return from holiday this week, acted to reassert his authority through toughly worded statements rejecting any reshuffle before the next general election. But this month's events have cast a new shadow over the already subdued electoral prospects of Mr Kohl's quarrelsome centrist coalition of his own Christian Democratic Union, the Bavarian Christian Social Union headed by Mr Waigel and the Free Democrat party.

There is now more than a whiff of the end of the era of Mr Kohl, who 10 months ago became the federal republic's longest-serving leader and who at the beginning of October will notch up 15 years in office.

Mr Kohl's government, which struggled to be re-elected in 1994, faces a daunting task if it is to win the next general election on September 27 1998. It has lagged in the polls behind a putative coalition of SPD and environmentalist Greens for the past year. In recent months, it has been riven by internal disagreements and stumbled from one mishap and policy failure to another in a manner reminiscent of John Major's Conservative government in Britain between late-1992 and Tony Blair's election win in May.

With state elections in Hamburg next month and in Lower Saxony, Saxony-Anhalt and Bavaria next year forcing politicians into almost constant campaigning over the next 13 months, the Bonn coalition has not the luxury of time to regroup and refocus its activities.

It was with the awareness of such weaknesses that Mr Waigel floated the idea of a cabinet shake-up. His presentation was low key. At the tail end of a lengthy interview with the magazine Der Spiegel which had focused on his campaign for a better financial deal for Germany in the EU, he "advised" his friend Mr Kohl to "go into the election campaign with the team that he intended to govern with in the next parliament".

Mr Kohl, from his holiday home in Austria, denounced the idea of a reshuffle as "superfluous as a goitre". In the ensuing speculation about who might stay or go from the cabinet, there was no hint that Mr Waigel himself would not be a member of the post-election team. In the middle of last week, however, this assumption suddenly changed after the regional Bavarian television channel screened an interview with the CSU leader in which he said he no longer wanted to be finance minister after the election, having held this gruelling post for more than eight years.

The interview was a ruminative affair, recorded against the idyllic background of Mr Waigel's native Allgäu region of Bavaria on August 3, long before the minister had proposed the cabinet reshuffle. But these circumstances did nothing to limit the damage. In the eyes of the opposition and press, Mr Waigel immediately became the most prominent of a flock of cabinet lame ducks.

Why has Mr Waigel acted in this way? The answer lies largely in the complex world of Bavarian politics, where the federal finance minister has to contend with a formidable rival in the person of Edmund Stoiber, the state's eurosceptic CSU prime minister.

Mr Stoiber is credited with wanting Mr Waigel's job as CSU leader. The Bavarian prime minister is also facing a difficult state election on September 13 next year, two weeks before the federal poll, when to be able to claim victory the CSU will have to repeat its past performance and win more than 50 per cent of the votes.

Unpopular policies emanating from Bonn have prompted Mr Stoiber and his allies in Munich to wonder whether they are well served by a party leader who has been one of Mr Kohl's closest allies and a key player in ensuring that economic and monetary union starts on schedule with Germany as a participant.

Add to this the fact that the CSU, numerically the second largest party in the coalition, is due to lose one of its four cabinet positions at the end of this year (when the federal post and telecommunications ministry is to be closed as a result of deregulation and privatisation), and it becomes clearer why Mr Waigel broached the idea of a cabinet reshuffle.

In part, he wanted to prevent the CSU's representation in Mr Kohl's government falling to three cabinet members where it would be on a par with that of the smaller FDP. Mr Waigel pressed for an early decision because he did not want to go to the CSU's annual party conference on November 21, where he will seek re-election as party leader, and be attacked for neglecting the party's Bavarian roots and accepting a weakening of its status in the Bonn cabinet.

This scheme of things was shattered in the wake of last week's delayed disclosure of Mr Waigel's reluctance to continue as finance minister. His standing crumbled with remarkable speed once his remarks became known. Moreover, with speculation of a reshuffle moving back into top gear, other members of the Bonn cabinet joined the finance minister as likely candidates for early retirement.

By last weekend, newspapers, apparently inspired by sources inside the coalition, were busy writing the political obituaries of several CDU ministers. Norbert Blüm, the veteran labour and social affairs minister; Jochen Borchert, the lacklustre agriculture minister who has been under sustained attack for his handling of the BSE affair; and Manfred Kanther, the low-profile home affairs minister, were named as possible candidates for the chop. Horst Seehofer, the CSU health minister whose popularity has slumped since he raised prescription charges, was also under fire. These names were in addition to such hardy annuals as Günter Rexrodt, the ineffective FDP economics minister who has long been seen as a liability and owes his continuing position in government to internal FDP factors.

This contagious outbreak of speculation was doubtless one of the factors that prompted Mr Kohl on Monday to issue such a brutal put-down of Mr Waigel. The chancellor, who under the German constitution has the sole responsibility for reshuffling the cabinet, found his own authority challenged to an unprecedented degree. The rampant speculation threatened to undermine close allies such as Mr Blüm, whose contribution to effective government is limited but who commands strong support among Christian trade unionists allied to the CDU and among elderly voters.

Mr Waigel, in an interview published in Focus magazine on Monday, expected the chancellor to back his call for a reshuffle. Instead, Mr Kohl stated that the present team, except for Wolfgang Bötsch, the outgoing post minister, would stay until the election. Although Mr Kohl admitted that there would be talks at the end of the year about compensating the CSU for Mr Bötsch's departure, he narrowed his room for manoeuvre significantly by singling out ministers Blüm, Borchert, Kanther and Seehofer as performing "brilliantly" in difficult circumstances. He also credited his finance minister with doing a "first class job" and predicted that the two men would continue to work side by side.

By laying down the law, Mr Kohl may succeed in putting a lid on damaging speculation about his government's future. But the cost will be heavy. The events of this month have shown how weak the foundations of Mr Kohl's power have become after so many years in office.

Mr Waigel, once an indispensable ally, is seriously weakened and looking even more fragile than in June after the failure of his bungled attempt to revalue the Bundesbank gold reserves.

Mr Kohl may find himself with the worst of all worlds, having undermined Mr Waigel's position with the CSU while still expecting him to deliver policies in Bonn. It is Mr Waigel's job to ensure Germany is fit for Emu. He must also secure parliamentary approval for a tough 1998 federal budget and rescue something from the government's failure so far this year to push through reform of Germany complex and inequitable tax system.

Little wonder, therefore, that Oskar Lafontaine, the opposition Social Democrat leader, had a broad grin on his face on Monday when he returned to Bonn to capitalise on the government's woes.

He, more than most, knows the power of Bonn's "summer theatre" to wreck political plans and careers. August feuding two years ago totally undermined the position of Rudolf Scharping, then opposition leader, and paved the way for Mr Lafontaine to wrest control of the SPD a few months later.

Bundestag elections

% of votes cast	Mar 1983	Jan 87	Dec 90*	Oct 94*
CDU/CSU	48.8	44.3	43.8	41.5
FDP	7.0	9.1	11.0	6.9
Coalition total	55.8	53.4	54.8	48.4
SPD	38.2	37.0	33.5	36.4
Others	6.0	9.6	11.7	15.2

* After unification

· OBSERVER ·

Vershbow for Nato?

■ It's all change at the US embassy in Paris. Even before the arrival of Felix Rohatyn, the new ambassador, Donald Bandler, number two at the Rue du Faubourg St Honoré, has been summoned to the White House to take over from Alexander "Sandy" Vershbow as Bill Clinton's adviser on European policy.

Music and theatre-loving Vershbow, 45, had been tipped for the embassy in Budapest. But he's now favourite to step into Robert Hunter's shoes as ambassador to the about-to-expand Nato alliance next year. That would be a presidential pat on the back for his handling of the tricky Bosnia and Nato enlargement portfolios: he took a big hand in drafting the recent Nato-Russia agreement.

Washington insiders believe the Russian-speaking career diplomat – who's a veteran of the strategic arms talks and the Moscow and London embassies, and was once deputy head of the US Nato mission – would sail through the Senate confirmation hearings with little opposition from Jesse Helms, the feared and obstreperous Senate foreign relations committee chairman.

Clinton's European advice might need some attention. He recently received a gift from Romania – the communist-era flag with the red star torn from the centre, which is a prized symbol of Romania's democratic uprising. In a thankyou note to senate speaker Petre Roman, he expresses gratitude for the "flag or poncho".

Pig deal

■ The Vietnamese passion for pork-stuffed spring rolls is putting serious strain on the country's pig supplies. Even in a country where there are pigs – pot-bellied and otherwise – everywhere you look, there soon won't be enough to go around. That is, unless some new breeds arrive, and what better way for pigs to travel than to fly?

The British-based Pig Improvement Company is working on a $2.2m project to raise high quality swine for sale to local farmers. It's going to fly 665 plucky porkers all the way from London to Hanoi in a customised cargo plane, complete with automated drinking water systems, and handlers to hold their trotters all the way.

John Gibson, PIC's man in Vietnam, says air travel is the safest and best way to transport pigs over long distances: the company hasn't lost a single curly-tailed hog in 30 years of airlifting them around the world. And what airline do the porcine passengers prefer? "We'll probably Fedex them in," says Gibson.

Plane truth

■ The Japanese appear to have revived their ambition to build a successor to the Concorde supersonic airliner: trade and industry ministry Miti is said to be pressing for a "national project" with a prototype in the air in three years.

Uncle Sam's Nasa is studying a successor to Concorde, while Louis Gallois, former head of France's Aerospatiale, was also keen on the idea – until he was sent to run the railways.

There aren't many technical obstacles to building a supersonic passenger craft: the really hard bit is finding airline customers – there weren't many when Concorde appeared, and there still aren't. All a supersonic contender needs is a readiness to kiss $100bn goodbye and a *volte-face* by environmentalists.

Forecasting the future of supersonic travel is fairly safe – the chances are you'll be drawing your pension long before anyone proves you wrong. Over 30 years ago, the US Federal Aviation Administration said 200 supersonic aircraft would be flying by the mid-1970s. They'd be full of cheap seats – the better-off would be flying their own private jets.

Clock watching

■ France's leftwing government would like to boost job creation by cutting the working week to 35 hours. But could it ever give serious thought to a proposal, apparently in circulation among officials, to fine employers who make staff break the current 39-hour legal maximum?

One of the biggest abusers of the upper limit is the government itself. There are bright young civil servants and advisers in ministerial private offices working late into the night on ministers' pet schemes – like how to cut working hours. Maybe lack of sleep has affected their ability to think clearly.

Summit's up

■ German thoroughness has solved another little problem. A survey last year of the Brocken – the country's highest mountain, even if it is modest by European standards – showed it was 1,140 metres high. But all the maps and atlases said it was 1,142 metres. So a construction company has just piled six granite boulders on the Harz mountain range's top spot. Saves all that messy reprinting.

The Financial Times

100 years ago

Wild Hopes On Wall Street

Wall Street is basing its hopes of a continuance of the boom on the most vague of abstract expectations. The idea seems to be that a boom is due, and there the matter ends. Reliance is placed on the fact that there was an extraordinary rise in 1879, but it would be just as reasonable for the bears to base their speculation on the fact that there was a flood in the time of Noah.

On this occasion Europe is doggedly selling American securities instead of buying them, having learned by bitter experience that it is folly to repose the slightest confidence in the figures and statements emanating from the other side of the Atlantic. The last straw was the disgraceful case of the Baltimore and Ohio, when the Directors themselves had to call in Mr. Little to tell them whether the published accounts even approximated to accuracy, and when this expert showed that for no less than seven years the figures given to the public had been bordering on the fraudulent.

FINANCIAL TIMES
Thursday August 28 1997

Toyota warns of 30% drop in Thai car sales

By Michiyo Nakamoto in Tokyo

Toyota, Japan's leading carmaker, warned yesterday that sales in Thailand could fall by between 20 and 30 per cent this year because of the economic turmoil caused by the devaluation of the baht.

Hiroshi Okuda, president of Toyota, said the company was likely to revise downward its sales and production in Thailand, a market dominated by Japanese manufacturers. Other Japanese car companies are also reviewing short-term plans for the market in an effort to deal with the weak Thai economy.

The predicted cut in Toyota's sales is part of a continuing fall-out from the devaluation of the baht in early July. The currency has fallen by about 30 per cent against the US dollar since then, affecting other Asian currencies.

Siam Cement, the Thai conglomerate, yesterday became the latest domestic company to be affected by the devaluation, disclosing heavy foreign exchange losses that pushed it to second-quarter losses of Bt5.51bn ($163m).

Mr Okuda said it would take one to two years for the Thai market to recover. However, he emphasised Toyota remained confident about the long-term high-growth potential of Thailand and other south-east Asian countries.

The situation in Thailand contrasts with the recent experience of Japan's carmakers in other overseas markets. Exports have risen for five consecutive months on the back of a weaker yen and the introduction of new models. Strong car exports, which rose by 32 per cent last month, helped increase production in Japan by 8.2 per cent.

Thailand's currency crisis has come at a particularly difficult time for Japanese carmakers. They have invested heavily in Thailand, which they have identified as a base for their Asian ambitions.

This year Toyota opened a second factory, costing Y37bn ($315m), to manufacture its so-called "Asia car". Honda opened a Y12bn factory in March 1996. Several Japanese parts makers have set up as well.

Toyota's Thai sales dropped by 7 per cent in the seven months to July. The overall market fell by 17 per cent in the same period.

Nissan, Japan's second-largest carmaker, had already laid off 200 seasonal workers due to sluggish sales before the baht's depreciation on July 2. Since then it has closed a commercial-vehicle factory for the whole of August and reduced production at another plant.

Nissan is reviewing plans to expand its Thai output to 140,000 units, as the weak economy has left production stagnant at about 90,000 units. "We have been hit very hard by the economic weakness. We need to watch and see when and how the market recovers," the company said.

Siam Cement hit by currency losses, Page 13

Tories hit back at Diana's reported attack

By George Parker, Political Correspondent

Senior members of Britain's opposition Conservative party yesterday criticised Diana, Princess of Wales, after she appeared to attack the previous Tory administration in a newspaper interview.

Le Monde, the French daily newspaper, reported her calling the government of former prime minister John Major "hopeless" over its failure to ban the use of landmines.

Her reported comments – denied by Kensington Palace – added to the increasing concern of many Conservatives at the apparent closeness of the princess and her former husband, the Prince of Wales, and the new Labour government.

The princess has praised the new government's proposed ban on the use of landmines, while Prince Charles has suggested that his Prince's Trust should become involved in the government's welfare-to-work scheme.

Members of the royal family traditionally do not enter the political arena.

Sir Patrick Cormack, the opposition's deputy leader of the House of Commons, said the princess was "an inexperienced young woman" making "partisan, political" comments.

David Wilshire, a Conservative member of parliament, said: "I think it's really, seriously dangerous to drag the royal family into party politics. I don't think we ought to allow one young to coming up middle-aged woman to alter the entire British constitution single-handed."

Robin Cook, foreign secretary, asked whether it was sensible for the princess to intervene in such a manner, said: "I have never criticised anyone for being frank about the previous government."

He added: "I am very pleased she recognises the Labour Government shares her concern and has already made very substantial progress towards signalling Britain's complete withdrawal from the production and trade in landmines."

Britain's move to ban production and deployment of landmines has been followed by France and Germany and gave a further boost to the so-called Ottawa Process, which could reach agreement on a global ban in November, said Mr Cook.

In a statement issued last night, the princess's office denied the comments attributed to her, saying: "Her stance on the question of landmines has been apolitical throughout. Her concerns are exclusively humanitarian."

Le Monde said it was sticking by its story.

THE LEX COLUMN

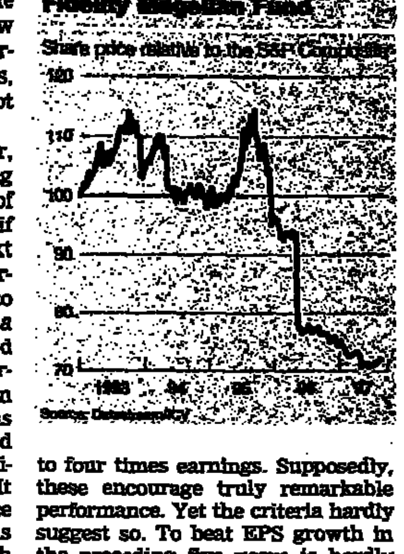
Magellan's lost bearings

Elephants are big, but hardly nimble. This is why Fidelity, the world's largest investment manager, is closing Magellan, the world's largest mutual fund, to new investors. Given Magellan's enormous prestige and handsome fees, the Boston fund manager has not taken this step lightly.

With assets of $63bn, however, Magellan has simply become too big to be effective at its original role of picking US growth stocks. Even if its manager identified the next Microsoft, to boost its overall performance Magellan would have to pour so much money into such a stock that other investors would spot it crashing through the undergrowth and drive up the price. In practice, therefore, Magellan has turned into a quasi-indexed fund that is finding it increasingly difficult to beat the market average. It has signally failed to do so since 1990, although its return so far this year, at 22 per cent, is back up with the S&P 500 index.

But there is more to this decision than mere size. Magellan's closure comes just as its cash flow is turning positive again, after 15 months of heavy redemptions. Bob Stansky, Magellan's manager, has promised his 4.3m shareholders to stay fully invested in equities – partly because of his predecessor's mistimed move into bonds in late 1995, which cost Magellan dearly. At the same time, though, Mr Stansky is openly reluctant to buy stocks at current prices, so the last thing he wants right now is extra cash piling up. That fact alone should give investors food for thought.

FTSE Eurotop 300 index: 941.2 (+4.2)



GEC

After last year's punch-up with shareholders over a top executive's pay, you might think General Electric Company would have learned its lesson. No such luck. The performance criteria in GEC's latest share option plans are strikingly feeble.

Consider a top executive's package. As well as basic salary, he could earn a further 40-50 per cent in annual bonus. Up to half of that can come in GEC shares, bought at a non-performance-related 20 per cent discount. On top, he could have share options with a total exercise price of up to four times his earnings; for them to be cashed, GEC's annual earnings per share growth must have beaten inflation by a not very demanding 3 per cent.

But the really sexy bit is a further dollop of "super options" – again up to four times earnings. Supposedly, these encourage truly remarkable performance. Yet the criteria hardly suggest so. To beat EPS growth in the preceding five years is hardly demanding when, over the last five, underlying EPS has risen less than 5 per cent a year on average. True, there is also a total shareholder return target. But it is not an inspiring one when 35 per cent of the allocation pays out if GEC merely tracks the FTSE 100 median return. The objection to this scheme is not that it could pay out a great deal of cash. If GEC's performance were genuinely transformed, lavish rewards would be entirely deserved. The problem is this: if the purpose is to incentivise top-flight performance, why offer such fat rewards for mediocrity?

Auditors

Imagine you are an unhappy auditor. Perhaps you resign, fed up with a client's keenness to flatter its figures. Alternatively, you ask awkward questions and are quietly dropped. Either way, there is a powerful case for investors and lenders being told the background to your departure. At the very least, your successor should be. The snag is that anything you say publicly – especially if there is no specific wrongdoing – could get you sued. Even your freedom to say anything to the new auditor is limited; if your former client insists on confidentiality, you must respect it.

This regime is too restrictive. Hence Deloitte & Touche's entirely sensible suggestion that auditors need more legal freedom to whistle-blow. Certainly there should be no objection to one auditor talking to another. Allowing auditors more protection to make vague public allegations against former clients is, of course, a riskier step. Still, the risk to an auditor's reputation would be powerful protection against raising false fears.

But why not go further, and take a leaf out of the US book? Under Securities and Exchange Commission rules, companies losing or sacking an auditor must make a public statement of any disagreements in the last two years – and the auditor must confirm the statement is accurate. With such an obligation, whistle-blowing would still be an extreme event. But that hardly matters; just the threat would usefully strengthen auditors' negotiating hand in keeping accounts on the straight and narrow.

W.H. Smith

News that W.H. Smith does not plan to break itself up will disappoint some investors. The shares' dismal performance offers ample reason to hope for a radical solution. And the break-up values being touted around – at worst, a 20 per cent premium to the share price – were enticing. But shareholders should not shed tears for what may well have proved an illusion.

For one, some of the valuations in these calculations look over-generous. And while some businesses could be sold easily enough, the risk is that W.H. Smith would be disposing of its jewels only to be left with the problem child – the core high street retail chain. Moreover, unlike many conglomerates, it is possible to believe there are synergies to be had from keeping this structure together.

That said, there is no quick turnround at hand. The search for a new chief executive is proving a damaging interregnum. And this is before the revitalisation of the core chain – margins are too low and like-for-like growth is a measly 1½ per cent – is addressed. The bright spot is that Beverley Hodson, the new retail director, looks to be introducing basic disciplines which should improve margins. Boosting sales, however, will prove more difficult, given the growing threat from supermarkets. W.H. Smith's convenience and breadth of range do remain strengths; but rehabilitation will not be quick. The shares, which are rated on a 30 per cent discount to the market to the end of 1998, look likely to remain cheap.

Microsoft piracy pact

Continued from Page 1

year for Egyptian security personnel assigned to combat piracy, which lost the worldwide industry an estimated $11.2bn last year.

"All the plans that Microsoft advanced are very much contingent on the Egyptian government enacting its commitments," Ashok Sharma, the BSA's regional officer, said yesterday.

"We expect them to follow up with action."

Microsoft estimates that the Arabic software can be produced 20 per cent more cheaply in Egypt than in Europe, where it is produced now. This accounts for Egypt's decision to cut tariffs on computer and software products from 30 to five per cent. The BSA believes piracy decreases if retail costs are lower.

Norway oil

Continued from Page 1

mandates. These contracts are expected to attract very keen interest from fund managers from the US and continental Europe.

Assets of £100bn – which the fund could achieve early next century – would make it as large as the world's 10 biggest pension funds.

"In some highly liquid markets like the US and the UK, the fund may buy shares in all the constituent companies in the main index," says Martin Skancke, the finance ministry official who is devising the guidelines.

Mexican builder defaults on bond interest payment

By Daniel Dombey in Mexico City

Grupo Mexicano de Desarrollo (GMD), one of Mexico's largest construction companies, yesterday faced the threat of bankruptcy after defaulting on a $10.4m interest payment on an outstanding eurobond.

It was one of Mexico's biggest corporate defaults since the peso crisis of 1995.

GMD's failure to meet payments on the $250m eurobond followed a $7.6bn government plan to rescue the country's failing toll roads, a scheme that obliges construction companies to write off billions of dollars of investment in the roads.

GMD also announced it would seek to renegotiate $256m of debt with Mexican banks and would sack 80 per cent of its workforce.

The GMD crisis is the most spectacular corporate backlash to date from the 1980s toll road scheme, introduced to attract private investment to infrastructure projects. The scheme has been plagued by poor financing, low traffic flows and ballooning construction costs. Today most of the toll roads are empty and poorly maintained.

GMD's shares were suspended on the Mexican stock exchange yesterday after falling 25 per cent the previous day. Shares in Mexico's two other big road construction companies, ICA and Tribasa, also suffered and were down by 2 per cent and 5 per cent respectively midway through trading yesterday.

ICA and Tribasa are not thought to run any risk of insolvency as roads represent a minority of their assets.

Under the rescue scheme, the Mexican government will assume some 60bn pesos ($7.6bn) of debt owed by 23 of the toll roads and take possession of the roads.

The construction companies that built the roads will have to write off their equity investment in the failed projects. But they will receive 22.3bn pesos in government bonds in recompense for unpaid fees owed to them by the road operators.

The government hopes to recoup 40.8bn pesos in income from tolls, although the construction companies will operate the roads on its behalf for at least the next two years.

GMD is thought to have a struggle on its hands to avoid bankruptcy. Private toll road projects represented three-quarters of its assets.

The company calculates it will have to write off 7.5bn pesos in road investments, but will receive only 2.5bn pesos in government bonds. It will thus have to register a charge of more than 5bn pesos.

"We are only getting back 33 per cent of our total road investment of $934m. We think we deserve $130m more," said David Rangel, chief financial officer.

FT WEATHER GUIDE

Europe today

A cold front stretching from south-western Norway through the Low Countries and eastern France to the north of Spain will bring rain and thunderstorms. The front will move eastwards into Germany and the Alps during the day to leave western areas cooler with sunshine and showers.

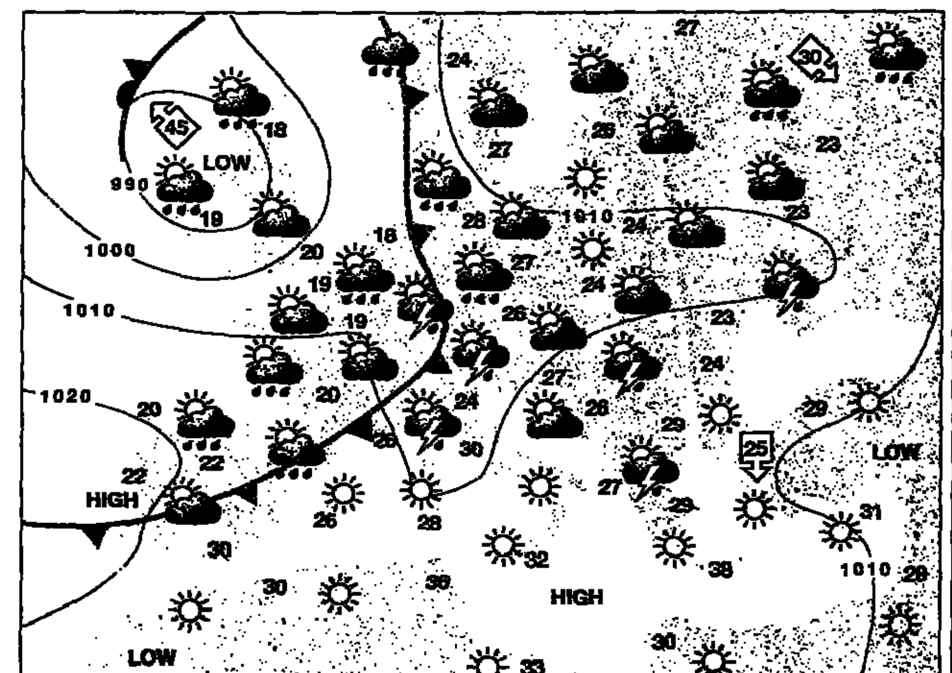
Romania, Ukraine and the Adriatic will have some thundery showers and hot sunny spells.

The rest of Europe will be dry, warm and sunny, apart from eastern Finland and northern Russia where there will be scattered showers.

Five-day forecast

Unsettled conditions, with rain and thunderstorms, will move eastwards to leave western and central Europe mainly fine with warm sunshine. However, the far west will become cloudy again on Sunday, with rain developing.

Most of Scandinavia will continue fine and warm but there will be cloud and showers in Norway and Denmark.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 32	Caracas	thunder 32	Faro	sun 26	Madrid	sun 22	Rangoon	shower 30
	Celsius	Belfast	shower 19	Cardiff	cloudy 19	Frankfurt	thunder 25	Majorca	fair 28	Reykjavik	rain 14
Abu Dhabi	sun 39	Belgrade	fair 26	Casablanca	fair 25	Geneva	rain 20	Malta	sun 33	Rio	fair 26
Accra	cloudy 29	Berlin	fair 28	Chicago	sun 23	Gibraltar	fair 27	Manchester	fair 19	Rome	fair 30
Algiers	fair 30	Bermuda	cloudy 30	Cologne	thunder 21	Glasgow	cloudy 18	Manila	shower 30	S. Frsco	sun 23
Amsterdam	rain 18	Bogota	shower 19	Dakar	fair 32	Hamburg	shower 27	Melbourne	cloudy 15	Seoul	sun 30
Athens	sun 29	Bombay	rain 30	Dallas	sun 35	Helsinki	fair 27	Mexico City	shower 25	Singapore	fair 32
Atlanta	fair 33	Brussels	rain 19	Delhi	shower 30	Hong Kong	fair 33	Miami	fair 33	Stockholm	sun 27
B. Aires	shower 25	Budapest	fair 25	Dubai	sun 41	Honolulu	fair 32	Milan	thunder 21	Strasbourg	thunder 21
B.ham	fair 19	C.hagen	shower 23	Dublin	fair 19	Istanbul	sun 28	Montreal	shower 23	Sydney	sun 19
Bangkok	fair 35	Cairo	sun 31	Dubrovnik	fair 25	Jakarta	sun 32	Moscow	cloudy 23	Tangier	fair 25
Barcelona	sun 25	Cape Town	shower 21	Edinburgh	fair 18	Jersey	thunder 18	Munich	thunder 25	Tel Aviv	sun 29
						Karachi	fair 35	Nairobi	fair 25	Tokyo	fair 30
						Kuwait	sun 44	Naples	sun 29	Toronto	fair 23
						L. Angeles	sun 26	Nassau	fair 32	Vancouver	shower 19
						Las Palmas	sun 27	New York	shower 26	Venice	cloudy 24
						Lima	cloudy 24	Nice	thunder 27	Vienna	fair 26
						Lisbon	fair 22	Nicosia	sun 31	Warsaw	fair 24
						London	fair 20	Oslo	shower 24	Washington	fair 30
						Lux.bourg	thunder 20	Paris	thunder 19	Wellington	fair 12
						Lyon	rain 22	Perth	shower 17	Winnipeg	shower 26
						Madeira	shower 25	Prague	fair 27	Zurich	thunder 18

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 28 1997 — Week 35

IN BRIEF

Hagemeyer in all-share deals

Hagemeyer, the Dutch trading company, is to pay about Fl 1.3bn ($635.4m) in twin all-share deals to buy a Nordic electrical wholesaler from the Swiss-Swedish Asea Brown Boveri, and an Australian-based computer distributor from First Pacific, the Hong Kong group that is Hagemeyer's biggest shareholder. Page 12

Credit Suisse First Boston up 51%
Interim pre-tax profits at Credit Suisse First Boston, the investment banking arm of Credit Suisse, rose 51 per cent to SFr1.31bn ($87.3m), with revenues from securities and derivatives businesses growing about three times as fast as investment banking. Page 12

SA group in $150m Europe expansion
Ster-Kinekor, South Africa's largest cinema operator, has joined those investors building cinemas in Europe by revealing plans to spend $150m on 30 multiplexes over the next three years. Page 12

ING to buy Furman Selz
ING Barings, the Netherlands-based bank, will today announce it has agreed to buy Furman Selz, a Wall Street brokerage. The deal would be the latest acquisition of brokerages and investment banks by large international banks and US retail banks. Page 13

WH Smith keeps options open
W.H. Smith, the UK retailer, refused to rule out the sale of the Virgin-Our Price record chain and admitted its new chief executive might undertake a strategic review of the retail group just over a year after the one conducted by Bill Cockburn, the former incumbent. Page 14

Vicenza tops listings league
Vicenza, the Italian premier league football club acquired in June by a UK investment company, is set to become the first Italian club listed on the Milan stock market. Page 13

Fort Bonifacio sees sharp rise
Fort Bonifacio Development Corporation (FBDC), which owns the Philippines' largest property project, forecast a fourfold rise in net profits for 1997 and announced plans to launch a $200m eurobond within the year. Page 13

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Bank of Montreal	13	Kalamazoo	14
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Boeing	4	Legend Group	5
Bic	11	Lloyds TSB	12
BolsWessanen	12	Macronix	13
Britannia Airways	6	Marley	14
British Aerospace	4	Maruti Udyog	12
British Airways	6	Matsushita	11
British-Borneo	14	Microsoft	1
CSFB	12	Nan Ya Plastics	13
Commerzbank	12	Oerlikon-Bührle	11
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FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Allianz	407	+	5	AGF	225.5	+	9.5
BMW	1302	+	20.5	Banc Comp	721	+	17
Kali & Salz	175	+	8.5	Cap Gemini S	390	+	16.8
Wella	1225	+	15	Peugeot	691	+	20
Falls				**Falls**			
Didier-Werke	127	–	21	Havas Advert	677	–	13
Rheinmetall	330	–	10	SGS-Thomson	572	–	13
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Culligan Ind	13½	+	1⅛	Marudai Food	392	+	18
Savannah Food	17⅞	+	2⅞	Yaskawa Elec	515	+	17
Superior Tele	38	+	3⅛	**Falls**			
Falls				Hoya Corp	3180	–	370
Barnes & Noble	44⅞	–	2⅞	Kajima	631	–	35
Ceridian	36⅝	–	6⅝	Kansai Paint	394	–	24
Fam Bands	17⅞	–	2⅝	Nisshin Oil	472	–	27
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Chiroscience	303½	+	19	Beijing Ent	63.0	+	4.75
Geehouse	385½	+	20	New Wrld Dev	53.0	+	1.0
Natl Power	557½	+	16	SHK Prop	97.75	+	1.5
Reuters	645½	+	20½	Shanghai Ind	53.0	+	2.5
Falls				**Falls**			
Carlton Comm	465	–	14½	Guoco Group	38.1	–	1.1
Ionica	332½	–	16½	Hang Seng Bk	102.0	–	1.5
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Campbell Min	2.5	+	0.4	East Asiatic	14.5	+	1.25
ID Biomedical	4.5	+	0.5	Sri Trang Agr	44.0	+	4.0
Tombill Mins	7.0	+	0.95	Thai Prsdnt	189.0	+	17.0
Falls				**Falls**			
Alphanet Tel	13.8	–	0.8	Charan Ins	28.25	–	3.0
Atlantis Comm	7.25	–	0.6	Chiangmai Frz	24.0	–	2.5
Counsel Corp	19.75	–	1.75	Thai Toray	18.5	–	2.0

New York and Toronto prices at 12.30pm.

Olivetti aims to force decision on alliance

Italian IT group presses Bell Atlantic over France Telecom stake

By Paul Betts in Milan

Olivetti, the struggling Italian information technology group, is seeking to force Bell Atlantic, its US telecommunications partner, into a decision on broadening their alliance to include France Telecom.

The issue is expected to come to a head on Monday at a shareholders meeting of Olivetti's Infostrada business to approve a capital increase for the fixed-line telecoms subsidiary of up to L170bn ($96m).

Bell Atlantic owns a 33 per cent stake in Infostrada, with Olivetti holding 67 per cent.

Olivetti has been keen to attract France Telecom to Infostrada. After long negotiations, a preliminary agreement was reached in April allowing the French group to take a 49 per cent stake in Infostrada through a L165bn new share issue. However, Bell Atlantic has been reluctant to approve the deal.

Monday's shareholders' meeting is partly designed to force Bell Atlantic into a decision on the third partner. Bell Atlantic can agree to allow France Telecom to join Infostrada, or can prevent it joining by subscribing to its share of the capital increase.

Olivetti supports the creation of a new holding company, Infoinvest, which would control 51 per cent of Infostrada, leaving 49 per cent for France Telecom.

Monday's meeting comes amid growing speculation over Olivetti and its telecom interests which has driven a rally in the share price over the last few weeks.

The shares continued to rise in Milan yesterday, by 3.75 per cent to L769, after gaining 10 per cent in the last seven days. After a low of L583 last month, the shares have surged on the back of speculation that Deutsche Telekom may consider a bid for Olivetti if it fails to win the competition to operate Italy's third mobile telephone network. Deutsche Telekom has linked with Enel, the Italian state utility, to bid for the third mobile telephone licence, due to be awarded by the Italian government by the end of the year.

It is competing for the licence against a rival consortium called Albacom grouping together British Telecommunications, the Mediaset television group controlled by Silvio Berlusconi, the former Italian prime minister, and Eni, the Italian oil group.

The France Telecom investment in Infostrada is also regarded by some analysts as an additional attraction for Deutsche Telekom, as the French and German companies already collaborate in the Global One network.

Pressure for leading European telecoms companies to enter the Italian market has also increased as a result of the Telecom Italia privatisation in October and the Italian group's recent strategic alliance with AT&T.

Roberto Colaninno, Olivetti chief executive, has been seeking to attract new long-term investors as well as strong international partners, not only to the group's telecommunications interests but also for its Olsy information technology systems and services subsidiary and its Lexikon office equipment business.

Roberto Colaninno: seeking new long-term investors

Group's move follows almost two years of controversy

Fidelity will close Magellan fund to new savers

By John Authers in New York

Fidelity Investments yesterday announced it was closing its Magellan fund to new investors in an attempt to stabilise the cashflows moving into the fund. It is the world's largest open-ended investment fund with assets of $61.7bn.

The announcement was interpreted as an admission by the company that Magellan's portfolio had become too large to enable its managers to outperform the market, although Robert Pozen, appointed Fidelity's head of mutual funds this year, denied this.

Mr Pozen said: "We've been concerned that we would have a significant acceleration in cashflow and we really didn't want that. We felt that a partial closure was the best way to go in terms of trying to get a relatively stable cashflow."

Magellan has been through almost two years of controversy. Jeffrey Vinik, the fund's manager until May last year, decided in late 1995 to buy a large holding of US bonds in an implicit bet that the stock market would have a bad year. Instead, the bull market in equities continued, and Magellan's performance dropped. It gained only 11.69 per cent last year while the benchmark S&P 500 index gained 22.95 per cent.

Rival managers said Mr Vinik had made the move because Magellan's huge portfolio made it impossible for him to deliver a strong performance using Fidelity's traditional approach of "stock-picking". Even a substantial holding in a fast-growing small technology company, for example, could not have much impact on a portfolio of more than $50bn.

This shook confidence in the fund, whose success was founded on the strong investment performance logged by Peter Lynch, its manager from 1977 to 1990. During this time the fund's assets grew from $22.2m to $12.3bn.

Magellan will remain open to investors who already have a holding, and to company retirement plans where the fund is offered to savers. It will be closed to all other investors from September 30.

Robert Stansky, the fund's manager since May last year, said he needed steady cashflows to keep the fund fully invested in equities and to ensure he could buy stocks at the best time. Heavy inflows of cash would make it difficult to invest the fund fully in equities and maintain his desired timing on new investments.

He also denied the move was intended to stop the fund from growing, saying: "I know which stocks I would like to own. I'm just trying to buy them at the right price."

But observers said cash had been flowing out of Magellan since before Mr Vinik's departure, with redemptions exceeding new investments by more than $5bn last year. This put a sharp brake on the growth of the fund's portfolio.

Mr Pozen confirmed yesterday that the fund only started to experience a positive cashflow again in the last two weeks of July.

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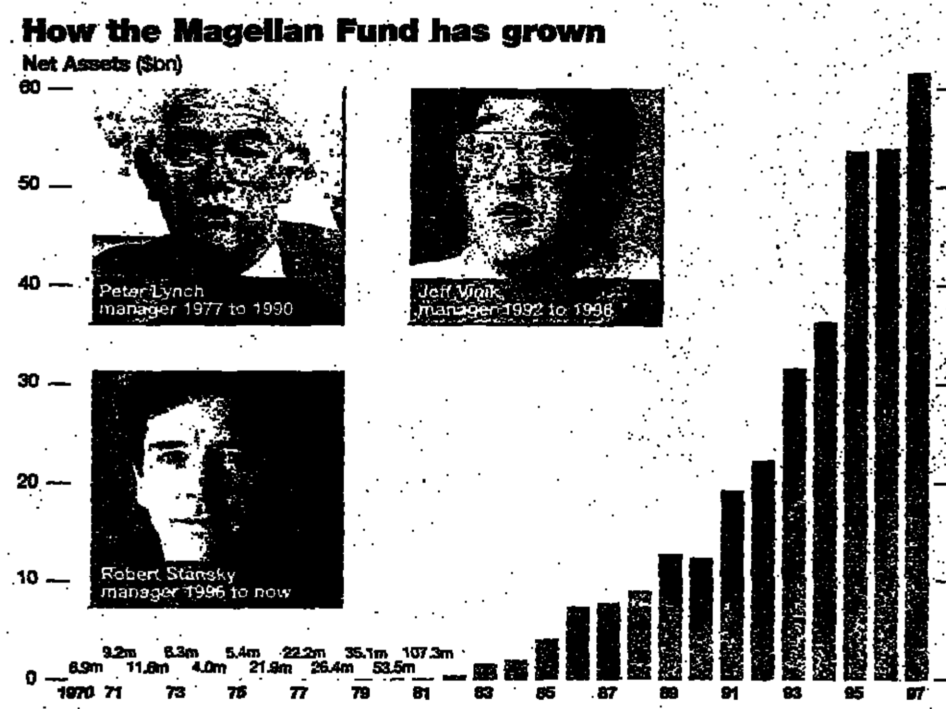
How the Magellan Fund has grown



Bic wins time in battle to buy Sheaffer

By Andrew Jack in Paris

Bic, the French pens, lighters and razors group, yesterday said it had won an important tactical victory in its battle to acquire Sheaffer, the loss-making US fountain pen manufacturer.

The appeals division of the New York state supreme court temporarily halted a rival bid from Sheaffer's own top management which shocked Bic last week, giving the judge time to examine the details of the case.

The legal move is an attempt by Bic to rescue its bid, which has turned into an embarrassingly public battle.

Bic announced at the end of July that it had signed a deal with Gefinor, the Geneva-based investment bank, for the purchase of Sheaffer.

The company was taken by surprise by news last Friday that Gefinor had instead agreed to sell the business to senior executives of Sheaffer in a management buy-out.

Owen Jones, Sheaffer chairman, and Shane Dolohanty, chief financial officer, had indicated earlier this month their interest in exercising the right of first refusal in the event of the sale of their company. This right was granted to them by Gefinor when they were recruited in 1994.

Bic acknowledged in its July announcement that its bid was subject to the expiry of this right. However, Robert MacDonald, Bic's finance director in Paris, said yesterday that the Sheaffer executives' bid was not "validly exercised".

The French company, which made the cash offer for Sheaffer through its US subsidiary, Bic Corporation, sought an injunction in the New York state supreme court to block the deal. The demand was initially rejected by Judge Lewis Friedman on Tuesday, but the decision was then overruled later in the day following an immediate appeal.

Mr MacDonald refused to specify Bic's objection, but said the legal challenge was based on the argument that the method the Sheaffer executives used was "invalid". He said his company's action did not relate to the value of the rival bid.

Bic itself raised its own offer for Sheaffer by $2m over the weekend when it heard of the rival bid. It refuses to state how much it is bidding, other than stressing that it is "significantly less" than the US fountain pen company's annual turnover of $50m.

Gefinor acquired Sheaffer in 1987. The business, which has its headquarters in Fort Madison, Iowa, is believed to have been losing several million dollars a year.

Second blow in week for Swiss engineering group

By William Hall in Zurich

Oerlikon-Bührle, the Swiss engineering conglomerate, suffered its second setback in less than a week when it announced an unexpected first-half net loss of SFr19m ($12.7m) because of a need to take an extraordinary charge on its defence activities in the US.

The loss follows last Friday's resignation of Ernst Thomke, Switzerland's best-known industrial trouble-shooter, who was in charge of turning round the group's troubled Bally luxury shoe business.

Oerlikon-Bührle, which had to be rescued by the banks a few years ago after its traditional defence business over-extended itself, has been substantially reorganised by Hans Widmer, a former McKinsey management consultant, who took over as chief executive in 1991.

The combination of Mr Thomke's resignation and the group's latest loss has raised fears that its recovery is running into problems.

Oerlikon-Bührle's performance contrasts sharply with the results of other Swiss engineering companies, which have been benefiting from the upturn in the Swiss economy and the weakness in the Swiss franc.

The company's shares, which had fallen sharply after rumours of Mr Thomke's resignation, rose SFr1 to SFr178.50 yesterday in heavy volume, raising speculation that a predator might be building up a stake. There has also been speculation that Hortense Anda-Bührle, 71, the daughter of the company's founder who controls 31 per cent of the equity, has been building up her stake.

The group's pre-tax profits fell from SFr65m to SFr8m on marginally lower sales of SFr1.67bn. Operating profits of Balzers and Leybold, the group's most profitable business, fell by nearly a third to SFr46m, and profits from Pilatus, the aircraft manufacturer, collapsed from SFr34m to SFr11m.

Oerlikon-Contraves, the defence equipment manufacturer, reported a loss of SFr11m, and Bally did little better than break-even.

Mr Widmer indicated sales volume in July was a record SFr442m and the group expected its full-year net income to be ahead of last year's SFr62m.

Thomas Pfyl, head of research at Bank Vontobel, described the company's results as very disappointing.

Matsushita cuts lift profits

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's leading consumer electronics maker, enjoyed a strong rise in consolidated pre-tax profits after rationalisation measures offset a decline in domestic sales of its core audio visual products.

Revenues for the three months to June rose 10 per cent to Y1,892.6bn ($16bn) compared with Y1,719.6bn. Pre-tax profits surged 63 per cent to Y82.7bn from Y50.7bn, with a 42 per cent rise in net profits to Y26.3bn from Y18.5bn.

Stringent rationalisation measures contributed Y59bn to operating profits of Y73.5bn, the company said. Matsushita has been reducing costs by consolidating production, shifting to lower cost bases and reviewing materials.

Pressure on prices from the yen's weakness took operating profits Y88bn lower, wiping out the Y80bn contribution to operating profits made by the decline in the currency against the US dollar.

Sales in the domestic market were up only 1 per cent, with air-conditioner sales affected by unseasonable weather in the early part of the summer.

Television sales dropped 5 per cent, partly on an increase in April of the consumption tax. However, there was strong demand for information products, such as personal computer peripherals, due to rapidly growing interest in the internet and the use of hard disc drives in an increasing number of products from printers to fax machines.

The company faces pressure in the second quarter because of the continued slump in air-conditioner sales. But sales of information and communications equipment are likely to remain buoyant, helping the company to increase profits by about 10 per cent, according to Mr Hideki Watanabe, industry analyst at Nikko Research Center in Osaka.

Hagemeyer agrees twin all-share deals

By Gordon Cramb in Amsterdam

Hagemeyer, the Dutch trading company, is to pay about Fl 1.3bn ($641m) in twin all-share deals to buy a Nordic electrical wholesaler from the Swiss-Swedish Asea Brown Boveri and an Australian-based computer distributor from First Pacific, the Hong Kong group which has long been Hagemeyer's biggest shareholder.

Yesterday's announcement accompanied a 26.9 per cent rise in interim net profits to Fl 141.2m and sent shares in Hagemeyer Fl 3.50 higher in Amsterdam to close at Fl 105. Revenues were 25.8 per cent ahead at nearly Fl 4.62bn.

The company said it would acquire Asea Skandia, which has annual revenues of Fl 1.4bn from operations in Sweden, Norway, Finland, Russia and the Baltics and that it was market leader in the wholesale distribution of electrical materials in countries including the UK, Germany and Switzerland.

Hagemeyer is also buying Tech Pacific, which it said had annual turnover of about Fl 2.5bn and was market leader in distributing computer hardware, software and telecommunications products in Australasia, Hong Kong, Singapore and Malaysia.

"With Tech Pacific, Hagemeyer enters an expanding and interesting market in the Asia-Pacific region and obtains access to specific distribution and logistics knowhow, which will enhance the further development of the whole group in this region," it said.

The region would bring in a quarter of total revenues next year, the group added. Although it gave no comparative figures, one analyst estimated the region's contribution for 1996 at 10 per cent.

Hagemeyer late last year took full control of HCL, a Hong Kong distribution venture set up in 1994 with the Anova group.

HCL markets consumer products and technical equipment from western and Japanese manufacturers.

That deal involved the issue of shares to Anova representing about 7.5 per cent of its equity, and the transactions announced yesterday are to be similarly funded.

Hagemeyer said, however, that in each case the acquisition would enhance earnings per share, which in the first six months rose from Fl 1.33 to Fl 1.53. The interim dividend is 42 cents a share, up from 37.5 cents.

The Asea Skandia purchase price will be met by issuing up to 7.5m new shares in a private placement, expanding its equity by 8.2 per cent.

First Pacific is to receive about 5m shares for the unit it is handing over, or a further 5 per cent of the capital as enlarged through the Nordic deal.

The price for Tech Pacific, to be confirmed by a fairness opinion, was about 13 times expected earnings this year, Hagemeyer said.

Germany set for banks to consolidate

Bancassurance is back in vogue as restructuring gathers pace in Europe

Analysts of the German banking scene have been working overtime in the past few weeks. So have those who keep the rumour mill grinding. Ever since the two big Munich-based banks – Bayerische Vereinsbank and Bayerische Hypotheken-und Wechsel-Bank – announced plans to merge last month, the search has been on for who is next.

Speculation has been rife, with bank share prices continuing to soar until the stock market's latest setback. This week, however, brought some hard news in the form of a Swiss acquisition of a small German bank, highlighting the drive towards consolidation but giving no clues as to where the next big move will come.

With its agreed DM350m ($194m) purchase of Schröder Münchmeyer Hengst from Lloyds TSB of the UK Union Bank of Switzerland is filling in a small piece of the German banking jigsaw, mainly on the asset management and private banking side.

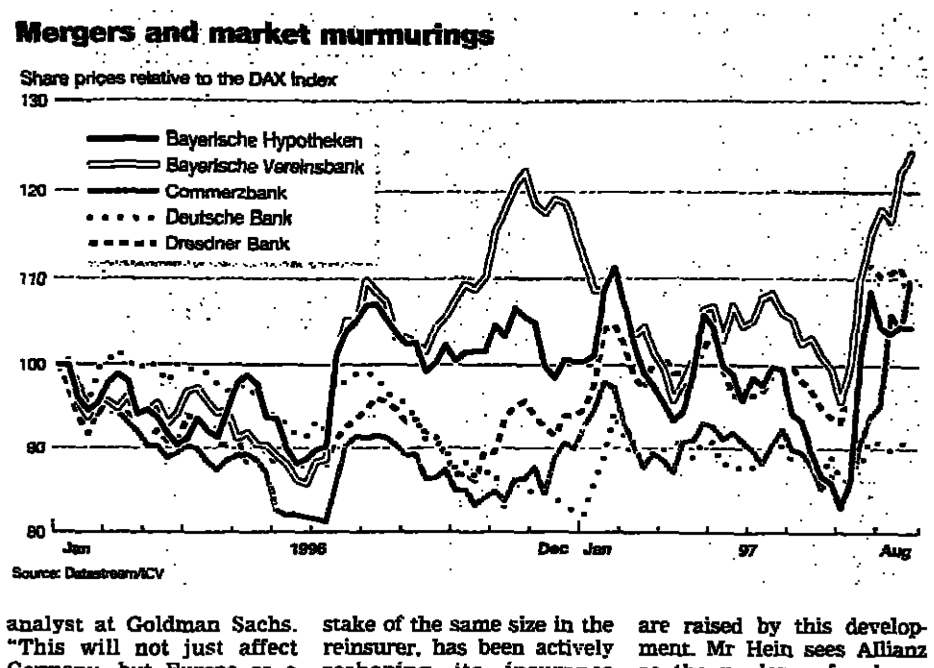
But most of the big pieces have yet to be placed. So the speculation about which bank is stalking which continues. Last week, for example, saw a spate of stories about Commerzbank, with UK, Swiss and German banks all named as possible predators.

With no big shareholders to protect it and the perception that it has strategic deficits in such areas as investment banking, Commerzbank looks vulnerable, some analysts say. Buying Commerzbank would not be cheap – its market capitalisation is around DM26bn.

It has held talks with possible partners in the past and some analysts strongly believe Deutsche Bank, Germany's biggest bank, has Commerzbank in its sights.

But other moves are also afoot at the big Frankfurt banks. Dresdner Bank, currently number two in terms of market capitalisation, is keeping its eyes peeled for a possible US investment banking target, as well as seeking further asset management purchases in the UK. Deutsche Bank has announced its interest in a French acquisition and wants to expand its German insurance interests.

"I think change will happen fairly quickly," says Neil Crowder, European banking analyst at Goldman Sachs. "This will not just affect Germany, but Europe as a whole." Increasingly, the banking community believes a period of rapid change is approaching.



Source: Datastream/ICV

Dieter Hein, banking analyst at Commerzbank, points to the concentration taking place across the world in financial services and industry, a process in which Germany still lags behind. With banks and insurance companies encroaching increasingly on each others' territory, notably in asset management, Allfinanz (or bancassurance) – the notion of combining banking and insurance activities, much in vogue in the 1980s – could see a revival, he believes.

Dresdner has said it planned to work more closely with Allianz, the insurance group which has a 22 per cent stake in the bank. Allianz is also believed to be keen to expand, possibly in France. Munich Re, owner of 25 per cent of Allianz which in turn has a stake of the same size in the reinsurer, has been actively reshaping its insurance interests and may be ready for another move.

According to one German banking executive: "We're entering a year to 18 months of fairly active consolidation in European banking, where you have to decide whether you're a player or not." Forcing the pace of change is the approach of the European single currency, shrinking margins on traditional lending, growing pressure by investors and savers for higher returns and the need to service changing corporate needs at a time of industrial restructuring.

The recent merger agreement between Credit Suisse, the big Swiss bank, and Winterthur insurance has further alerted bankers to the enormity of the changes going on around them. "Two or three years ago, there was a very cosy relationship among all the financial giants in Germany," says Mr Crowder. "Now, this is breaking down."

All sorts of possibilities are raised by this development. Mr Hein sees Allianz as the nucleus of a large financial grouping, based on its 22 per cent stakes in Hypo-bank and Dresdner. "Deutsche Bank cannot just sit idly by and watch."

The Bavarian merger has worsened Deutsche's strategic position in the face of accelerating concentration, he believes. "The number of possible partners has decreased, prices have risen and Allianz has extended its area of influence." Against this "we can wait eagerly for the next move by Germany's biggest bank in the 'power poker' with Allianz."

But it is not only in Frankfurt and Munich that the stakes have been raised. Berliner Bankgesellschaft's talks with Norddeutsche Landesbank raise the prospect of yet another force in German banking. Stephan Schüller, a Vereinsbank director, says: "I believe we shall see some very unexpected and strategic moves in the near future."

Andrew Fisher

SA group in $150m Europe expansion

By Alice Rawsthorn

Ster-Kinekor, the largest cinema operator in South Africa, has joined the growing number of investors building cinemas in Europe by unveiling plans to spend $150m on 30 multiplexes over the next three years.

Mr Mike Ross, managing director of Ster-Kinekor Europe, said the company would concentrate its investment in the UK and Ireland, as well as Greece, the Czech Republic, Poland and Hungary.

The investment plans come at a time when rivals have also unveiled proposals for aggressive multiplex construction programmes throughout Europe.

Warner Village, a joint venture between Time Warner, the US entertainment concern, and Village Roadshow, the Australian media company, plans 26 in the UK and Germany alone by the end of the decade.

United Cinemas International, a chain owned jointly by Seagram and Viacom, the North American entertainment groups, is expanding at a similar pace in Germany, Austria and Poland. Gaumont, one of France's larger cinema chains, is expanding into eastern Europe.

A recent report by Dodona, the specialist research consultancy, forecast that the number of cinema screens in Europe would increase by at least 2,000 to more than 22,000 by the end of the decade. Dodona estimates that nearly 1,400 new screens have opened across the continent since 1990.

In spite of this investment and growing competition for multiplex locations, Mr Ross said he believed there was still scope for expansion in the European cinema market.

Ster-Kinekor Europe, controlled by Kersaf Investments, the South African leisure company which last month sold control of Ster-Kinekor's South African interests to the Primedia group, has already secured seven sites for development. These include 16-screen complexes in Ireland and the UK. Mr Ross said Ster-Kinekor would concentrate on cinemas in multipurpose entertainment centres, as it did in South Africa.

CSFB jumps 51% mid-way to SFr1.3bn

By William Hall in Zurich

Credit Suisse First Boston, the investment banking arm of the Credit Suisse Group, increased first-half pre-tax profits by 51 per cent to SFr1.31bn ($880m).

Revenues from securities and derivatives businesses grew roughly three times as fast as corporate and investment banking.

The growth in CSFB's profits, which contributed 58 per cent of group revenues, was fuelled by big increases in the profits of fixed-income, equities and Credit Suisse Financial Products, the derivatives business.

Credit Suisse said revenues and profits recorded higher rates of growth than most industry competitors, even after adjusting for the effects of the dollar depreciation.

The results are the first since Lukas Mühlemann took over as chief executive of the Credit Suisse Group at the start of the year.

Credit Suisse had indicated that its net profits had risen 70 per cent to SFr1.4bn when it announced its proposed merger with Winterthur, Switzerland's third biggest insurer, just over a fortnight ago.

However, yesterday's figures, which were much more detailed than anything Credit Suisse has published before, gave the first glimpse of Mr Mühlemann's progress in cutting costs and re-allocating capital within the group.

Credit Suisse shares, which had fallen by 16.5 per cent since the Winterthur deal was announced, rose SFr5.5 to SFr179.50 yesterday.

The group's efforts to turn round Credit Suisse, the loss-making domestic subsidiary, are starting to bear fruit: the division's revenues rose 5 per cent to SFr1.36bn; operating expenses fell 6 per cent to SFr1.12bn; and the pre-tax loss was cut from SFr534m to SFr177m.

However, the cost income ratio of 88 per cent is still much higher than the group's target of 65 per cent.

Credit Suisse Private Banking increased its pre-tax profits 30 per cent to SFr882m, helped by a 15 per cent rise in revenues to SFr1.77bn. Operating expenses increased 3 per cent to SFr830m.

● **Bank Austria**, Austria's biggest, has finalised the exchange offer for the minority of the shares of Creditanstalt, its main rival, which it took over this year.

Creditanstalt shareholders will receive four ordinary or preferred shares in Bank Austria for every three Creditanstalt ordinary or preferred shares.

The exchange offer has been pitched at the high end of expectations and is based on the view that a single share in Creditanstalt was worth 1.333 Bank Austria shares.

The shares of both banks were suspended ahead of yesterday's news, with Bank Austria's preferred shares, its most widely quoted security, closing at Sch542. Its thinly traded ordinary shares closed at Sch602.

Creditanstalt's ordinary shares closed at Sch729.9 and its preference shares at Sch610.

Gerhard Randa, Bank Austria chief executive, said he hoped the enlarged group would soon further simplify its share structure by moving to a single class of share.

Israeli economy behind Koor fall

By Judy Dempsey in Jerusalem

Koor Industries blamed the slowdown in the Israeli economy and loss of contracts with Bezeq, the state-controlled telecommunications network, for the fall in its net income for the first six months of the year.

But Israel's largest industrial holding company increased exports by 22.2 per cent over the same period, from $613.2m to $748.5m, following investments in telecoms and agrochemical companies in Latin America and Spain.

Net income fell from $118.4m, or $7.83 per ordinary share, to $88.6m, or $5.87.

The comparisons include a capital gain of $21m in the second quarter of last year from the initial public offering of shares of Tadiran Telecommunications, a unit of Koor's 64 per cent-owned subsidiary Tadiran, and a gain of $28m this year.

Koor said its profitability was "considerably moderated" by the gains.

Operating income over the same period fell from $194.3m to $161.9m. Revenues grew 3.2 per cent from $1.74bn to $1.79bn.

Benjamin Gaon, chief executive of Koor, said the sluggish economy as well as uncertainty over the peace process had affected earnings.

Growth in gross domestic product during the first half of the year was only 1.8 per cent against 4 per cent in the earlier period.

The treasury had forecast a growth rate of 2.5 per cent for 1997.

In spite of the drive to increase exports, which accounted for 41.3 per cent of total sales compared with 34.9 per cent in the first half of last year, Koor's three core businesses – telecoms and electronics, agrochemicals and building materials – are still heavily dependent on the domestic economy.

Its construction division has been particularly hit by a 21 per cent decline in building start-ups over the first half.

Koor, which also has interests in hotels, has been hit by a 15 per cent fall in tourism because of last year's bus bombings and the recent suicide bomb attack on a Jerusalem market.

Analysts say Koor has underperformed the Tel Aviv stock market since the start of the bull run last October.

This may change when Claridge Israel, the investment group which bought a 10 per cent stake in Koor from Shamrock Holdings of the US, with an option to purchase a further 10 per cent, announces its strategy for the company.

Last month, Koor's main shareholders said they would explore a spin-off or disposal of part of its subsidiaries.

Government picks new Maruti chief

By Amy Louise Kazmin in New Delhi

The Indian government has selected a company veteran as managing director for Maruti Udyog, the car manufacturer that dominates the Indian passenger car market, after a tussle with Suzuki, its joint venture partner

The Japanese carmaker is said to have favoured a more market-oriented candidate to steer Maruti through a new era of fierce competition.

R.S.S.L.N Bhaskarudu, whose 14 years at Maruti have been spent primarily on production, projects and materials procurement, was chosen by India's Industry Ministry.

Under the 1992 joint-venture agreement, the government and Suzuki take turns to choose the managing director; Suzuki's consent was not required.

Suzuki, which has nominated R.C. Bhargava, the previous managing director, as part-time chairman, did not comment on the appointment. Its silence, and the fact that the appointment was not announced until the last moment, are seen as the latest sign of strain in the relationship between the joint owners.

A much-needed $428m expansion plan was delayed for almost a year owing to a disagreement over funding. Suzuki had sought an equity offering, but the Indian government resisted the move to dilute its holdings.

The partners agreed to raise money via internal accruals and debt to build a paint shop, upgrade existing models and add engine manufacturing capacity.

Anup Mukherji, a joint secretary in India's Department of Heavy Industries and a government appointee to the Maruti board, said Mr Bhaskarudu was picked for his "wealth of experience".

In spite of the intense speculation surrounding his appointment, Mr Bhaskarudu expressed confidence about the future. "We will all work together to take the company to greater heights," he said.

The new managing director will take over at a challenging time for the 14-year-old company. After years of enjoying a near monopoly on small cars, Maruti must defend its position against rivals such as Daewoo of South Korea and India's own Tata Engineering and Locomotive Company. Both are planning models that could erode Maruti's estimated 70 per cent market share.

Nominations for chairman and managing director must be formally approved by the annual meeting, due on September 22. Indian officials had sought to hold the AGM yesterday, immediately after the board meeting, but Suzuki representatives refused, saying they had not been given enough notice.

INTERNATIONAL NEWS DIGEST

Eurotunnel plan put before court

Disgruntled shareholders in Eurotunnel, the troubled cross-Channel rail operator, will on Monday mount a challenge in a Paris court to the company's £8.5bn ($13.68bn) restructuring plan. George Berlioz, a lawyer representing Adacte, the Eurotunnel shareholders' association, will argue that the plan is illegal under French law on at least two grounds.

He said yesterday he would challenge the debt for equity swap arranged by banks under the plan, arguing that the deal is being carried out at the nominal value of the debt, rather than the true value – which is lower and fluctuating – at which the loans have been trading on the secondary market.

He claimed the restructuring deal was also a concert party between the creditor banks, and that under stock market regulations they should be required to make a full tender offer for all of Eurotunnel's shares. His objective, and that of Adacte, is to force Eurotunnel's creditor banks to renegotiate the restructuring package, improving the residual value left to shareholders by writing off at least an additional FFr8bn ($1.3bn) in debt.

Failing that, he has argued Eurotunnel should be placed in the hands of the French bankruptcy courts, which he claims would lead to a better return for investors. Adacte attempted to vote down the plan at Eurotunnel's annual general meeting in July, but was defeated, with nearly 98 per cent of shareholders in attendance supporting the measures. *Andrew Jack, Paris*

■ CHEMICALS

BASF, PPG buy from each other

BASF, the German chemicals group, yesterday moved to strengthen its position in the world surfactants industry with a deal to buy a business from PPG Industries of the US. As part of the agreement, PPG Industries, which produces coatings, glass, fibreglass and chemicals, has agreed to buy BASF's container coatings business.

Surfactants are used in detergent and cleaning products, and in the paper, leather and textiles industries. The agreement means BASF will take control of PPG's seven surfactant plants in the US, the UK, Belgium and France. BASF – which is a European market leader in surfactants – said the move would improve its strategic position in international markets, especially in the North American Free Trade Agreement region.

In turn, PPG will buy BASF's container coatings plants in Tiel, the Netherlands, and in Barazante, Italy, as well as another centre in Ohio in the US. BASF said each of the businesses to be exchanged has total sales of about $150m. *Graham Bowley, Frankfurt*

■ NORWAY

Storebrand slides 38% halfway

Storebrand, Norway's biggest insurer, yesterday announced a 38 per cent slide in first-half profits, to NKr534m ($71m), which it blamed on weaker results in non-life business. Storebrand, whose plans to merge with Christiania Bank were blocked by shareholders two months ago, said the group recorded an operating profit of NKr1.96bn in the first six months, NKr794m lower than last time. After distributing the profit to the life assurance and pension insurance policyholders, the group's profit came to NKr534m compared with NKr860m. "Storebrand's results reflect the positive development in investment and premium income, as well as weaker results from non-life insurance due to a sharp increase in claims payments," the company said. Non-life operating profits fell from NKr649m to NKr385m. Aage Korsvold, group president and chief executive, said he expected competition in the insurance market to remain fierce in the non-life segment, with margins under pressure. *Agencies, Oslo*

■ CZECH ENGINEERING

Skoda makes surprise losses

Skoda, the Czech Republic's biggest heavy engineering company, yesterday surprised analysts by posting a consolidated loss of Kč2.2bn ($65m) for 1996. In 1995 the company made a consolidated loss of Kč431m. Lubomír Soudek, Skoda chairman and the biggest shareholder with 24.7 per cent, had forecast 1996 gross profits of Kč600m –Kč700m.

Although sales rose 26 per cent to Kč23.5bn, Skoda made an operating loss of Kč1.24bn, against 1995 operating profits of Kč329m. This was primarily because of increased labour costs, up Kč2.4bn to Kč5.4bn, and an increase in bank borrowings. Indebtedness soared from Kč3.9bn in 1995 to Kč9.25bn as Skoda sought working capital and debt financing for investments. Skoda's liabilities now exceed its equity by a ratio of 2:1.

Analysts attributed Skoda's surge in consolidated losses to a Kč1bn increase in provisions, to Kč1.7bn, and to losses at several divisions, including Skoda Machine Tools and Unformtechnik, its German metals forming subsidiary. Ondrej Datka, engineering analyst at Patria Finance in Prague, also noted that "the auditors were more strict than in previous years".

Skoda is not related to Skoda Auto, a carmaker in which Germany's Volkswagen has a 70 per cent stake. *Joe Cook, Prague*

■ SHIPBUILDING

Lauritzen back in black

The future of the Lauritzen Group's shipyard, Danyard, was still in doubt yesterday when the Danish group revealed that negotiations for the sale of 48 per cent of the yard and a capital injection by Penang Shipbuilding Construction of Malaysia had not been completed. Negotiations are stalled over new orders for the yard, which employs almost 2,000 people in the north Jutland town of Frederikshavn. The group reported a return to first-half profits of DKr139m ($20.4m) against a loss last year of DKr169m. The ordinary operating result showed a surplus of DKr49m compared with a loss last time of DKr289m. Turnover was down from DKr7.8bn to DKr7.2bn. *Hilary Barnes Copenhagen*

■ FOOD AND DRINK

BolsWessanen warns on full-year

BolsWessanen, the Dutch food and drinks group, lifted first-half net profits 15.8 per cent to Fl 79.8m ($39.9m) but disappointed investors by saying full-year growth would rise by about 10 per cent from the Fl 184.2m seen in 1996. With the interim dividend unchanged at Fl 0.32, the shares closed down Fl 1.90, or 5 per cent, in Amsterdam at Fl 36.20. While sales were up 18.2 per cent to just under Fl 2.66bn, half the increase stemmed from exchange rate movements. Stripped of these and the effect of acquisitions, autonomous growth was just 3.7 per cent. The company, which had signalled this as a turnaround year after a period of earnings decline, remains willing to shed its drinks division if it finds a big and promising takeover target in the foods sector. Bols said it benefited from improved margins at its US dairies, but its convenience foods and cereals side was hit by higher meat prices and start-up costs at a Belgian factory. Spirits achieved growth in central Europe, while its 35 per cent stake in Italy's Campari increased its contribution. *Gordon Cramb, Amsterdam*

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ING poised to buy Furman Selz

By John Authers in New York

ING Barings, the Netherlands-based bank, is set to announce today it has agreed to buy Furman Selz, a Wall Street brokerage, for a price probably in excess of $425m.

The deal would be the latest acquisition of brokerages and investment banks by large international banks and US retail banks and takes advantage of a liberalisation in the rules for cross-ownership announced by the Federal Reserve this year.

Neither ING nor Furman Selz, which is privately held, were prepared to comment yesterday on speculation that an announcement was imminent. However, the board of managers at ING, which would decide on the acquisition, was understood to be due to meet this morning.

The acquisition is likely to be similar to others already announced this year and to include delayed payments over up to five years which would be paid into a fund. This would ensure retention of senior personnel, a key issue when buying an investment bank.

Furman Selz was founded in 1973 and has about $10bn assets under management. It has a strong reputation on Wall Street for its equity research, which would be one of the most valuable prizes for ING. It also offers a balanced range of investment banking services, including mergers and acquisitions.

Furman Selz would sharply improve ING's capacity to distribute equity in the US, where there is still buoyant demand from institutional and private investors for shares in initial public offerings.

If confirmed, the deal would mark the seventh acquisition of a securities firm by a commercial bank since March when the Fed changed its rules.

The change was regarded as one of the most significant alterations yet made to the so-called Glass-Steagall Act of 1933, which barred retail banks from deriving earnings from securities.

The Fed now allows the banks it regulates to derive up to 20 per cent of their income from a "Section 20" subsidiary, which can underwrite securities.

ING is following Swiss Bank, which outbid it to buy Dillon Read this year, and Canadian Imperial Bank of Commerce, which bought Oppenheimer, both Wall Street securities firms. Analysts expect more acquisitions by large international banks keen to gain a stronghold in the booming US securities industry.

Several acquisitions have been made by large US retail banks aiming to broaden the range of corporate finance products they can offer, and thus avoid losing medium-sized corporate clients once they wish to float on the market.

Canadian banks exceed forecasts

By Scott Morrison in Vancouver

Canadian banks have posted stronger than expected third-quarter profit increases as North America's surging economy has led to volume gains larger than analysts had expected.

Securities trading and investment operations have also contributed to earnings that have so far either equalled or surpassed expectations of profit advances of 13-20 per cent.

Royal Bank, Canada's largest, reported net income of C$428m (US$307m) in the third quarter, up 20 per cent from the same period last year. Revenues reached C$2.39bn for a return on common shareholders' equity of 19.3 per cent compared with 17.2 per cent a year ago.

The Bank of Montreal, the country's third-largest institution, posted net profits of C$372m, a 24 per cent increase. Revenues totalled C$1.86bn for a return on equity of 19.1 per cent.

Bank of Nova Scotia, Canada's fourth-largest and most international bank, earlier reported a 40 per cent jump in net income to C$384m on revenues of C$1.63bn, giving a return on equity of 20.3 per cent after interest costs but before loan losses.

Canadian banks have continued to produce strong results after profit increases averaging 26 per cent for the year to October 31 1996.

Royal Bank's third-quarter loan growth, investment banking fees and trading revenues contributed to the its record profits. Total loans and bankers' acceptances rose C$24.2bn, or 18 per cent, from a year ago.

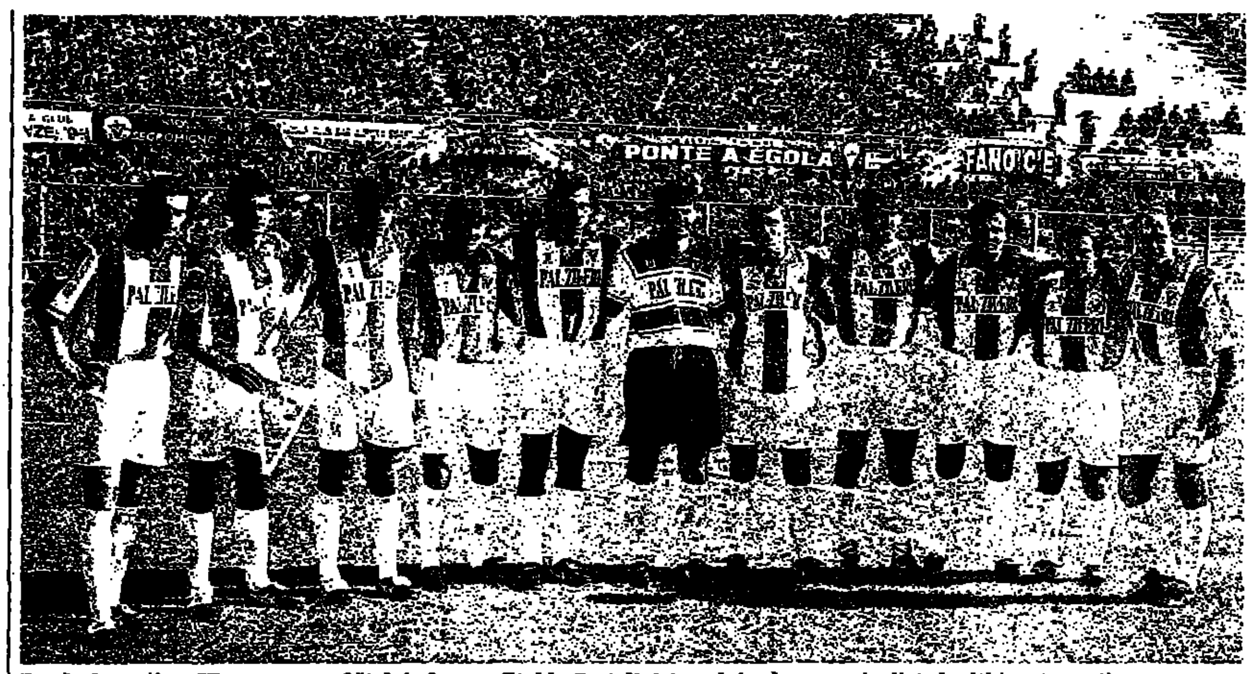
The bank again exceeded targets as a result of favourable economic and capital market conditions, which resulted in strong performances from all businesses, said John Cleghorn, Royal Bank chairman and chief executive.

Royal Bank's total assets increased C$35.6bn from a year ago to reach C$245.8bn at July 31 1997, while market capitalisation stood at C$20.4bn, the highest for a Canadian financial institution and almost double the $10.4bn at July 31 1996.

Securities trading contributed significantly to the Bank of Montreal's third-quarter result. Treasury operations, which include foreign exchange and securities trading, added C$136m to the bottom line, up from C$80m the year before.

Corporate and investment banking contributed profits of C$41m, up from C$32m last year. Canadian consumer and small business operations, however, recorded a profit of C$130m, down from $134m the year before, while Montreal's electronic banking division saw profits decline from C$59m to C$43m.

Bank of Montreal's assets increased to C$198m at the end of the third quarter from C$162m a year ago.



Ready for action: Vicenza, one of Italy's few profitable first division clubs, hopes to be listed within 12 months Empics

Vicenza ahead in listing game

By Paul Betts in Milan

Vicenza, the Italian premier league football club acquired in June by a UK investment company, is set to become the first Italian club listed on the Milan stock market.

The club, the first in football-crazy Italy to fall into foreign hands, has called a shareholders meeting for September 12 to approve a capital increase and prepare its application to Consob, the Italian stock market watchdog, for a listing on the Milan bourse.

The increase will raise the club's capital from L7.5bn ($42.7m) to at least L10bn, the minimum required for a stock market listing.

Stephen Julius, managing director of Stellican, the London-based investment company which acquired with partners the club for L22.7bn, said yesterday that the Italian IMI Sigeco investment bank had been given the mandate to prepare the club for flotation.

"We are still at the early stages of a long procedure but we hope to be listed within the next 12 months," he said.

Several bigger and more famous Italian clubs such as Bologna, Juventus, Inter, AC Milan, and Lazio are considering listings in London or Milan, but Vicenza is in pole position because it is one of the few profitable first division clubs in Italy.

Under Italian stock market rules, a company must show profits for three consecutive years before it can be listed. Vicenza broke even in 1994/95, made a profit of L3.2bn in 1995/96 and is expected to make a similar profit in 1996/97.

The club does not expect the 1994/95 figures to pose a problem for its application. In any case, the Italian stock market, due to be privatised next month, is expected to change the current listing rules to attract more companies.

Mr Julius said Vicenza was opting for the Milan rather than the London market because an Italian listing would make it easier for local fans to buy shares.

Vicenza last season came eighth in the Serie A (the Italian premier league) and won the Italian cup.

It is based in the rich, north-eastern region of the country.

Vicenza's new British owners plan business initiatives to develop the club's revenues through merchandising, sponsorships, and catering. They are also in talks to buy the club's stadium from the local council.

"We want to apply the Anglo-Saxon model to Italy," said Mr Julius. "On the football side, the Italians have little to learn from us: but on the business side – how to develop revenue streams and stable earnings – they can learn a lot from our system."

The other shareholders in the club are English National Investment Company (Enic), which also owns a 25 per cent stake in Glasgow Rangers, and two agencies involved in the management of television rights.

Fort Bonifacio sees sharp rise

By Justin Marozzi in Manila

Fort Bonifacio Development Corporation (FBDC), which owns the Philippines' largest property project, yesterday forecast a four-fold rise in net profits for 1997 and announced plans to launch a $200m eurobond within the year.

Ricardo Pascua, president and chief executive, said he expected profits to leap from 1.1bn pesos to at least 4.2bn pesos ($140m).

Most of the year's revenues would come from the part-payment of 15.4bn pesos from last year's sale of 16 hectares of land worth 28.4bn pesos. This sale represented the original five-year sales target, giving FBDC more control over the choice of future corporate tenants, he added.

The upbeat forecast comes as the Manila stock exchange – which is heavily weighted towards property stocks – struggles to combat bearish sentiment in south-east Asian bourses. The market closed down again yesterday and the peso sank further to reach a record low against the dollar.

Fort Bonifacio is an ambitious 214ha project intended to replace Makati as Manila's leading central business district. FBDC is a joint venture between the government and a private-sector consortium led by Metro Pacific, the Philippine arm of Hong Kong's First Pacific group.

Mr Pascua said Merrill Lynch and Bankers Trust, the US investment banks, would be joined by Philippine National Bank as advisers for the $200m eurobond issue. "We would like to introduce ourselves to the capital market, both locally and internationally. We want to go with it within the year," he said.

Proceeds would go towards infrastructure and utility development.

An analyst in a foreign brokerage said raising debt on the capital markets was now the best option for Fort Bonifacio. "They're trying to stop selling land now because they don't like prices, but they still need to finance the horizontal development of the project. This $200m eurobond will really be a testing ground and set the trend for how they can mobilise debt."

Fort Bonifacio is required to list by 2000 but might go public much earlier, Mr Pascua said. Depending on market conditions it would perhaps float in 1998.

Indian tobacco group refocuses

By Kunal Bose in Calcutta

ITC, India's largest tobacco group, is reorganising its businesses to focus on cigarettes, travel and tourism, packaging and paper.

ITC, which is 33 per cent owned by BAT Industries of the UK, made the mistake of diversifying into financial services, international trading and edible oils when the economy was closed, Yogesh Chander Deveshwar, chairman, said yesterday at the company's annual general meeting.

"Instead of being in too many things which are not sustainable in the present business environment, we will be focused on businesses where we can compete effectively and build a dominant market position," he added.

The globalisation of the Indian economy and fierce competition have led management to "identify the core businesses to support in the future", Mr Deveshwar said.

The portfolio will be subject to periodic review to ensure that the businesses are "internationally competitive". ITC also plans to forge technical and management alliances with foreign companies.

In non-core areas, ITC hopes to bring in foreign partners, with a view to selling its stakes in its two troubled associates, ITC Classic Finance and ITC Agro-Tech. However, Mr Deveshwar said that "as a good corporate citizen" ITC would try to bail out the separately listed companies, which would take about three years.

ITC has reached an agreement with BAT on the manufacturing and marketing in India of two of its leading brands, 555 State Express and Benson & Hedges, but the deal is awaiting approval by the federal government.

Mr Deveshwar said local manufacture "will help curb the smuggling of foreign cigarettes into the country. India suffers a foreign exchange loss of Rs3bn ($85m) because of smuggling of cigarettes."

Both BAT and ITC will have to invest heavily to develop the brands in India.

Net profits in 1996-97 were up 33 per cent to Rs3.47bn on turnover ahead 14.61 per cent to Rs58.63bn. Operating cashflow doubled to Rs4.4.99bn.

Mr Deveshwar forecast strong growth in sales and profits in the first half to end-September.

Top-level shake-out at Habib Bank

By Farhan Bokhari in Karachi

Pakistan's state-owned Habib Bank is planning to restructure its top management, cutting almost by half the number of layers and substantially reducing the number of its divisions.

The move is the latest in a series of measures to reduce Habib's 32,000 workforce by almost a third.

The restructuring plans were set in motion this week when 1,100 senior staff members, including 140 senior vice-presidents and 300 vice-presidents, were forced to retire.

Habib has also offered a voluntary redundancy package to its employees, who have until September 10 to accept.

Shaukat Tarin, president, said in an interview yesterday that he planned to reduce the number of layers of management in the next phase of reforms.

He said he wanted to have no more than three or four layers of management, compared with the current heavily bureaucratic seven-layer network.

Mr Tarin, a widely respected banker who is on a two-year secondment from Citibank, said he also planned to have no more than 50 divisions, compared with the 98 divisions that presently oversee different functions.

"There will be difficulties in reforming the bank, but we have got to convince the staff that this is essential for the bank's future," he said.

Habib's profitability has fallen during its 24 years in the public sector.

Its share of bank deposits in Pakistan is less than 20 per cent of the country's total, down from 50 per cent at the time of its nationalisation.

Almost one-third of the country's bad debts are owed by Habib's borrowers, many of whom sought loans as a form of political patronage but never repaid them.

Mr Tarin, however, said that he had brought in the necessary "catalysts for change" which made it certain that there would be no turning back.

Bankers in Karachi said the forced retirements this week had strengthened Mr Tarin's hand, removing resistance at the top levels to his reforms.

Pakistan's two other public sector banks, United Bank and National Bank, are expected to announce similar shake-outs in coming weeks.

The plan is considered vital for Pakistan's efforts to reform its public sector banks and prepare them for privatisation by the government's deadline of early next year.

INTERNATIONAL NEWS DIGEST

Chip arm holds back Nan Ya

A loss at its microchip arm held back growth in first-half profits for Nan Ya Plastics, the Taiwanese petrochemical concern, masking strong operating gains in electronics and polyester. In the six months to June 30 turnover climbed from T$43bn a year earlier to T$45.8bn (US$1.6bn), while pre-tax profits edged up from T$4.2bn to T$4.3bn. The company attributed the increase to higher profits in printed circuit boards and chemical fibres. Sales rose mainly as a result of increased sales of printed circuit boards and plastics products. Nan Ya Technology, which makes D-Ram (dynamic random access memory) chips, saw first-half losses of T$370m. The chip arm is expected to break even in the fourth quarter of this year.

Operating income jumped nearly 22 per cent, chiefly because of expanding output of copper-clad laminates and printed circuit boards. Analysts predict net profits will climb 7-10 per cent in 1997 and 35 per cent in 1998.

Laura Tyson, Taipei

■ HONG KONG

Television Broadcasts up 15%

Television Broadcasts, Hong Kong's largest broadcaster, yesterday announced net profits of HK$205.21m (US$26.5m) for the six months to the end of June, a rise of 15 per cent, and gave an optimistic forecast for the full year. "In the local economy we see signs of continued improvement in advertising spending and expect continued progress in profits during the second half," said Sir Run Run Shaw, chairman.

Turnover during the period totalled HK$1.47bn, compared with HK$1.33bn in the first half of 1996. Earnings per share climbed from 42 cents to 49 cents, while the interim dividend was held at 20 cents.

John Ridding, Hong Kong

■ PAY-PER-VIEW

INL in NZ$308.9m takeover

Independent Newspapers Limited, the publisher controlled by Rupert Murdoch's News Corporation, is to take effective control of Sky Television, New Zealand's dominant pay-to-view media channel. INL is paying NZ$308.9m (US$199m) for 147m shares, or 48 per cent of the company, valuing the channel at NZ$643m.

Sky has yet to make a profit but is expected to make a modest one this year after last year's NZ$20m loss. Mike Robson, INL managing director, said the decision to buy no more than 48 per cent was due to a desire to keep the purchase off the company's balance sheet. INL is buying the 51.13 per cent in Sky owned by the HKP Partnership, a consortium that includes Time Warner, TCI, Bell Atlantic and Ameritech. It will then resell 3.12 per cent to other Sky shareholders. *Terry Hall, Wellington*

■ THAI BANKING

Siam City to double capital

Shares in Siam City fell 10 per cent to Bt9 on news that the Thai bank is doubling its capital to Bt12bn ($35bn). Siam City is to issue 599m new shares at 10 baht par value.

The bank said it would use the proceeds to extend long-term loans to the industrial sector. "The capital increase shouldn't come as a surprise, because Siam City has among the lowest capital adequacy ratios in the sector," said Steve Sloman, banking analyst at Nava SC Securities Asia. *AP-DJ, Bangkok*

■ TAIWANESE MICROCHIPS

Groups cushion first-half losses

Taiwanese chipmakers cushioned first-half operating losses caused by a cyclical decline in the semiconductor industry with profits from the country's booming stock market.

Winbond Electronics, one of Taiwan's biggest chip-makers, saw net profits fall from T$2.1bn to T$1.2bn (US$42m), while first-half sales fell 43 per cent from T$6.8bn to T$4.7bn. However, non-operating profits of T$1.1bn combined with a T$1.0bn tax credit helped reverse a loss of T$888m at the operating level, analysts said. Most of the non-operating profits came from share trading gains.

Net profits at Macronix, another leading Taiwanese chip maker, fell 72 per cent in the first half from T$1.8bn to T$232m. Turnover dropped from T$5.3bn to T$3.9bn. On August 19, the company lowered its 1997 pre-tax profit forecast 50 per cent from T$2.6bn to T$1.3bn, pointing to competition and price fluctuations. *Laura Tyson*

Siam Cement hit by currency losses

Siam Cement will pass its interim dividend after heavy foreign exchange losses pushed the Thai conglomerate into second-quarter losses of Bt5.51bn ($162m), against a comparable net profit of Bt1.69bn, agencies report from Bangkok.

In 1996 the company paid an interim dividend of Bt10 a share.

The baht has fallen about 30 per cent against the dollar since it was floated on July 2, and Siam Cement said its loss from foreign exchange totalled Bt4.92bn in the quarter.

The company has foreign-denominated loans of $4bn, $1bn of which are short term.

Eric Henderson, analyst at ING Baring, said the earnings were stronger than expected, indicating that Siam Cement had not written off all its prospective foreign exchange losses in the second quarter. He expected further foreign exchange losses to be written off in the third quarter.

Chumpol Na Lamliang, Siam Cement president, said the company would lose between Bt2.4bn and Bt2.5bn for every baht the Thai currency slips against the dollar.

Due to the weakening currency and the general economic malaise, Mr Chumpol said the group would halt investment in new projects over the next few years.

"This is the worst situation we have ever faced," Mr Chumpol said. "The last time the government devalued the baht there were mainly external problems. Now we have problems both inside and outside the country."

Mr Chumpol said Siam Cement had adopted two strategies to survive Thailand's economic slowdown – increasing exports and raising prices. He said sales from exports and overseas projects generally accounted for 15 per cent of total sales revenue. But this year and next it would make up 25 per cent.

"Our situation is like that of our country," Mr Chumpol said. "We need foreign markets to survive."

Products linked to the world market, specifically petrochemical products and paper, would rise in price by the same amount the baht had depreciated – roughly 23 per cent at the moment, he said.

First-half consolidated net loss was Bt3.6bn, compared with a net profit of Bt4.4bn in the first six months last year.

WHS keeps record chain options open

By Christopher Price

WH Smith yesterday refused to rule out the sale of the Virgin/Our Price record chain and admitted its new chief executive might wish to undertake a strategic review of the retail group just over a year after the one conducted by the former incumbent, Bill Cockburn.

However, Jeremy Hardie, chairman, said all the candidates interviewed for the vacant post had expressed support for the management's strategy and he did not expect the victor to undertake a review immediately. But he added: "I would not be surprised if after six months, he or she said to me 'I want to change things.'"

Mr Hardie refused to be drawn on when the chief executive post would be filled, except to confirm the candidature of Stuart Rose, the former Burton executive, and three internal applicants.

His remarks came as the group unveiled a return to the black, reporting annual pre-tax profits of £51m ($83m), against losses of £194m the year to May 31 1996. Before exceptional items, Smith made profits of £124m, a rise of 39 per cent, on flat sales of £2.76bn.

He said the future of Virgin/Our Price was undecided. Four months ago the company rejected an offer of £135m from Virgin Group, its minority partner, for the 75 per cent of the venture owned by Smith. Although Smith has an option to buy Virgin out in 1999, Mr Hardie said: "Who can say what will happen then."

However, the question mark over the record chain will fuel speculation over the possible break-up of the group. Keith Hamill, the group's finance director who has withdrawn from the chief executive race, said yesterday there was no break-up plan.

While he admitted some shareholders had questioned the company about the issue, none of the group's big institutional investors had raised the matter.

The results showed a 5 per cent profits increase in the high street business, to £43m on sales 1 per cent higher at £788m. Waterstone's book chain reported an 11 per cent increase in sales to £200m with profits rising 33 per cent to £30m. The wholesale newspaper division produced a 42 per cent increase in profits to £44m on sales up 5 per cent at £928m.

The results came at the bottom end of market forecasts, largely because of a larger-than-expected pension write-off. Smith wrote off a £73m pension pre-payment, built up on the balance sheet thanks to a pension holiday, because of the uncertainty over valuations created by July's budget.

Lex, Page 10

Concern over GEC shares plan

By Charis Gresser

The General Electric Company has run into concern from some institutional investors over a new share option scheme for its most senior executives.

Last year, the company toughened up an incentive package for its new managing director, George Simpson, to quell a damaging shareholder revolt.

Part of the new share option scheme, for which Mr Simpson will not be eligible, has drawn fire from a number of investors, who describe the performance criteria as too soft.

Under the proposals, certain options will be exercisable on a sliding scale from 35 per cent to 100 per cent, if GEC's performance over any consecutive five-year period places it between the median (or 50th place) and the top 25 per cent relative to the FTSE 100 companies. The criterion used to measure performance is total shareholder return, which is the increase in share price plus dividends.

GEC also has to meet a second performance criterion: earnings growth over five consecutive years has to match or exceed growth in the preceding five-year period.

One large institutional investor, who declined to be named said: "Super options are designed to incentivise executives for achieving top-notch performance. My understanding is that these options can provide significant rewards for merely average performance."

The investor continued: "We are concerned about this. Our position at the moment is that we are minded to vote against this scheme".

Another smaller institution, NPI, said it was voting against the scheme. "We object to this 35 per cent level on average performance. It's not good enough".

A number of other institutions, however, backed GEC. One said: "Our view is that we would rather have this scheme in place than not."

GEC said it had the "endorsement" of some of its largest shareholders, although not enough proxies to carry the vote, to be taken at the annual meeting on September 5.

Lex, Page 10

French merger lifts Kalon

Brendan Corr

Mike Hennessy: looking for acquisitions

By Roger Taylor

Kalon, the paints group, announced its intention to focus more aggressively on sales as it reported a 12 per cent drop in turnover in the first half.

However, savings from its 1995 merger with Euridep of France were ahead of expectations, and this had more than offset the downturn in sales, helping it produce a 24 per cent increase in pre-tax profits to £24.4m ($39.8m) for the six months to June 30.

Mike Hennessy, managing director, said the company was keen to take steps to increase its top line revenues.

These included acquisitions in new markets such as Germany, the development of more sales outlets for trade buyers, and greater emphasis on marketing and brand development. With gearing reduced to 21 per cent, it had the necessary resources to expand, he said.

Most of the downturn in sales was the result of the high level of sterling. Excluding this, turnover was down just 2 per cent.

Profits were lifted by a strong improvement in operating margins as a result of the restructuring following the merger with Euridep, formerly part of Total.

At the time, the company predicted cost savings of £10m a year, but yesterday it said it would beat this achieving savings of £14.5m by the end of this year and £23.5m by the end of 1998.

Kalon has closed three factories in the UK and reorganised its distribution in France.

Keller restricted by strong pound

By Emiko Terazono

The strength of sterling affected profits at Keller, the ground engineering specialist, restricting the first-half pre-tax outcome to a 2.2 per cent rise to £4.7m ($7.7m).

Although turnover and operating profits rose by 10 per cent in local currency terms, the rise in the pound led to translation costs of £300,000, said Rob Painting, finance director. Translation costs for the full year are expected to total £600,000 if the pound remained below DM3, he said.

Revenues for the six months to June 30 rose 1.7 per cent to £117m. Operating profit margins remained almost flat at 4.2 per cent.

Keller said the strength in the US and UK markets had offset weakness in continental Europe. Difficult market conditions in Germany, including intense competition in Berlin, hit profit margins.

The group's continental Europe and overseas division reported an 89 per cent decline in operating profits to £75,000 on an 85 per cent fall in turnover.

In the UK, operating profits more than doubled to £1.51m, leading to a rise in operating profit margins from 3.7 per cent to 5 per cent. Operating profits in the US increased by 7 per cent with margins firm at 7.9 per cent.

The company expects conditions in Germany to stabilise in the second half, with an improved performance from its continental European division.

Dresdner Kleinwort Benson, the house broker, is forecasting full-year pre-tax profits to rise 6.4 per cent to £13.3m (£12.5m).

The shares yesterday fell 5p to 235½p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Beales Hunter	Yr to May 31	64.4	(58.4)	1.71♠	(3.26)	14.2	(21.8)	7.6	-	7.8	10.7	10.7
Cakebread Robey	6 mths to June 30	8.87	(7.73)	0.322	(0.281)	5	(4.4)	1.35	Oct 17	1.25	-	3
Coutts Consulting	6 mths to June 30	18.4	(19.8)	7.68L♠	(1.52♠)	16.75L†	(1.54)	nil	-	0.75	-	2.3
Domnick Hunter	6 mths to June 30	31.2	(25.7)	4.61	(4.22)	9.47	(8.35)	3.168	October	2.88	-	7.2
Grafton ♣	6 mths to June 30	116.8	(90.2)	7.11	(6.63♥)	37.7	(28.1)	8.5	Oct 24	6.5	-	17.5
Kalon	6 mths to June 30	242.5	(276.6)	24.4	(19.6)	4.27	(3.7)	2	Oct 3	1.7	-	5.2
Keller	6 mths to June 30	117.1	(115.5)	4.66	(4.6)	5.2	(4.7)	2.1☨	Oct 31	1.95☨	-	5.85☨
Marley	6 mths to June 30	348.2	(364.9)	24.5	(63.2♥)	5	(15.8)	2.1☨	Oct 31	2.1	-	5
Readymix ♣	6 mths to June 30	54.5	(30.2)	6.32	(3.9)	9.75	(7.89)	1.56	Oct 7	1.3	-	4.3
Smith (WH)	Yr to May 31	2,763	(2,828)	51♠	(194L♠)	8.6	(71.4L)	10.4	Oct 24	10.4	15.65	15.65
Topps Tiles	*Yr to May 31* ✠	*24.4*	*(22)*	*0.749♠*	*(1.9♠)*	*0.2L*	*(6.6)*	-	-	-	-	-
Ugland Intl	6 mths to June 30	47.3	(30.2)	6.22♠	(3.21♥)	4.6†	(6.59)	2	Nov 4	2.8	-	4.72
Wiggins	Yr to March 31	19.9	(6.88)	4.88♠	(1.01♥)	0.66	(0.2)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☨Foreign income dividend. ♣Irish currency. ✠Pro forma.

Cassandras confounded by changes to ACT

Jane Martinson on responses to the tax credit abolition

Proponents of the theory that markets move in logical ways appear to have been dealt a blow in the past two months.

Cassandras had a field day after the Budget abolition of the advance corporation tax credit for dividends paid to most institutional investors. But instead of falling 10 per cent as predicted by these gloomy analysts, the FTSE All-Share index has risen by more than 3 per cent since July 1.

Although this could partly be explained by market adjustment in anticipation of the abolition, it also has to do with the complexities of asset allocation.

Nor has the market's contrariness weakened the warnings from industry consultants and fund managers. Many still believe that a fundamental change is going to take place in the UK market.

Research by Bacon and Woodrow, the fund management consultancy, suggests that the abolition of ACT credit will cut the real rate of return from UK equities by some 30 basis points to 5.7 per cent this year.

Such statistics have prompted several consultants to predict that pension funds – which hold about 40 per cent of UK shares – will move money out of stocks into other forms of investment, notably fixed income or bonds. A survey of fund managers by Merrill Lynch revealed that sellers of UK equities outnumbered buyers by 18 per cent in July, the widest majority recorded this year. The global strategy survey also found that this trend was reversed in their holdings of gilt-edged stocks: buyers outnumbered sellers by 29 per cent.

The money coming out of UK equities is finding a variety of new homes. In its August investment report, Scottish Equitable, the fund management group, announced that it had decided to reduce the holdings of UK equities in its managed funds, partly as a result of the ACT change. Mr Russell Hogan, chief investment officer, said: "Some of the proceeds from this move will be held as cash, but we have also increased investment in European equities and UK gilts."

Bacon and Woodrow expects pension funds to reduce their holdings in UK equities by between 5 and 10 percentage points from an average holding of between 55 and 60 per cent earlier this year. As pension funds hold some £700bn in UK equities, a 10 percentage-point cut could take £70bn from the market.

Mr Geoff Lindey, head of UK institutional investment at JP Morgan, says that while a reduction of 5 per cent over the next 18 months might be taken up by other investors, anything more would be difficult to accommodate: "If it's a 5 per cent shift it's a lot of money, but it depends on the reaction of other people. "Are the Americans going to come and buy? Are companies going to buy their own equity?"

The enthusiasm of other buyers for UK shares is one reason why the market appears not to have performed as badly as expected since the Budget. Market analysts point to strong demand from other types of investor, such as US funds and individuals who are unaffected by the ACT change.

Companies are also expected to refinance with a greater proportion of debt to equity as debt becomes relatively cheaper

UBS, the brokers, argued in a report last week that up to £100bn could be spent by British companies in share buy-backs over the next few years.

The main reason for the market's apparent failure to support the predictions so far is that pension funds are inherently slow-moving, they say.

The creeping nature of change is partly because of the actuarial basis of the industry. Actuarial revaluations of pension funds, which assess liabilities and the assets needed to meet them, are carried out once every three years.

This system was described by one fund manager as providing an in-built lagging device slowing shifts in asset allocation.

The arcane calculations used to value the funds have been made even more complicated by the minimum funding requirement demanded by the 1995 Pensions Act and passed earlier this year. This will force funds to match future assets and liabilities and is designed to prevent funds from falling below a minimum threshold.

Until the ACT change these calculations were based on the gross returns from shares. The Budget changes have thrown the industry into turmoil as actuaries wait to hear how they should treat the long-term returns of equities.

As significant shifts in pension fund allocations typically cost millions of pounds, consultants believe that some pension funds are waiting for the next revaluation to fully compute the impact of the tax cut.

There is evidence that the move out of UK equities by UK institutions started before the Budget announcement, partly because of the fear of an inflated market. These signs of shift, combined with the Budget, look set to make the future more difficult for UK shares.

As one senior fund manager put it: "One thing is certain. In two or three years from now, the UK equity market will be much lower than it would have been."

NEWS DIGEST

Kalamazoo backs US rescue plan

Kalamazoo Computer Group yesterday warned it would be close to breaching its banking facilities unless shareholders approved a £17.7m ($28.9m) cash injection by Reynolds and Reynolds of the US.

Kalamazoo, which specialises in computer systems for motor dealers, said it was facing first-half trading losses of about £3m but would return to the black in the second half. The losses would be offset by an exceptional £3.4m profit from the sale of its printing division to Adare Printing last month.

The Birmingham-based company blamed its losses on the high cost of developing a second generation of its flagship Elite software. Reynolds, which also specialises in computer systems for motor dealers, is subscribing at 130p a share for 13.6m new Kalamazoo shares as part of a package including an alliance in product development and sales.

It is also tendering for 2.93m existing shares at 130p, which would give it a 26.5 per cent stake in Kalamazoo. However, there are restrictions on the US group increasing or selling its stake in the next two years. The shares closed up 9½p at 85p.

The US company would become the second largest shareholder after the Kalamazoo Trust, which currently holds 40 per cent of the shares on behalf of past and present employees.

Richard Wolffe

Mixed signals from Marley

Second-half profits at Marley, the building materials group, would be at similar levels to the same period last year, David Trapnell, chief executive, said yesterday.

His remarks sent mixed signals to the City, despite an 11 per cent rise in operating profits to £28.8m ($46.9m) for the six months to June 30. A number of analysts downgraded their full year pre-tax profit forecasts to about £50m after a meeting with the company to discuss the results.

The shares fell 5¼p to 109½p. Mr Trapnell later protested that the reaction to his comments were exaggerated and said the outlook for the year was positive.

Deprived of a £42.6m gain from the sale of its automotive components business in the same period last year, Marley's pre-tax profits fell 61 per cent to £24.5m. Stripped of exceptionals, profits rose 19 per cent. That was despite a £2.3m penalty imposed by the strength of sterling. Marley earns almost three-quarters of its profits outside the UK.

By region, operating profits showed double digit gains in the US, Germany and the UK. In New Zealand, however, weak demand from the agricultural sector depressed profit margins.

The company had net debt of £71m. Gearing was 24 per cent on June 30, although Mr Trapnell said this has since risen to more than 30 per cent after the purchase earlier this month of Flexco, a US flooring business, for $39.2m.

Emiko Terazono

British-Borneo stake buy

British-Borneo Petroleum Syndicate, the oil exploration company, has acquired a majority interest in a field under development in the Gulf of Mexico. It is paying $37.5m for the 60 per cent interest in the Allegheny Field Development off the cost of Louisiana, which it will operate.

The partners are taking over the field from Enserch Exploration and Mobil Exploration & Producing, both of which held 40 per cent stakes. Reading and Bates is raising its stake from 30 per cent.

British Borneo estimated that the Allegheny Field reserves amounted to 52m barrels of oil. The company believes there is potential for it to book 31m barrels of oil as a result of the acquisition.

British Borneo shares closed up 14p at 473½p.

James Blitz

Restructuring buoys Ugland

Ugland International Holdings nearly doubled first-half profits after a restructuring last year focused the shipping group on its core activities.

However, underlying earnings per share fell by a quarter to 4.6p because of the dilutive effect of last year's $54.4m placing to acquire seven car-carrying ships.

Pre-tax profits for the six months to June 30 were £6.22m ($10.1m), up 94 per cent on last time's £3.21m, on revenues ahead 57 per cent to £47.3m.

Ugland's new vehicle carrier division, which ships cars for manufacturers, contributed profits of £10.7m (£569,000) on turnover of £18.95m (£1.58m like-for-like). The other core business, refrigerated (reefer) vessels, contributed £2.97m (£3.67m) on turnover of £18.7m (£16.7m).

Liner services lost £2.9m and container carriers was £926,000 in the red, including an exceptional loss of £749,000 on the disposal of Ugland International Norway. Jonathan Palmer, chief executive, said the group intended to sell the liner services business.

TECHNOLOGY

Huge sea-worthy bags offer a solution to water shortages, writes **Marcus Gibson**

Thirsty work

Giant sea-going barges, 107m long and made of polyurethane and PVC just 1.5mm thick, will transport large quantities of fresh water later this year from Turkey's southern port of Antalya westward to the country's drier regions.

The vessels were designed and built by Norwegian Water Supply (NWS), based in Oslo, and may be the beginning of a new global industry in clean water transport.

For the past two years NWS has been towing bags of water up and down the 200km Sogne Fjord near Bergen, the longest and deepest stretch of water in Norway, to assess which materials could withstand the enormous physical stresses involved.

It also needed to master the sea-handling qualities of a wafer-thin bag containing 10,000 tonnes of water. "We had no idea what the turning circle of such a craft might be," says Jan Halvorsen, NWS's managing director. "Nothing on this scale has ever been attempted before."

Although the thin plastic was not new, the Norwegians developed and patented a method of welding the material on the scale required.

"Even though it is very thin it has the strength of steel when stretched," says Mr Halvorsen.

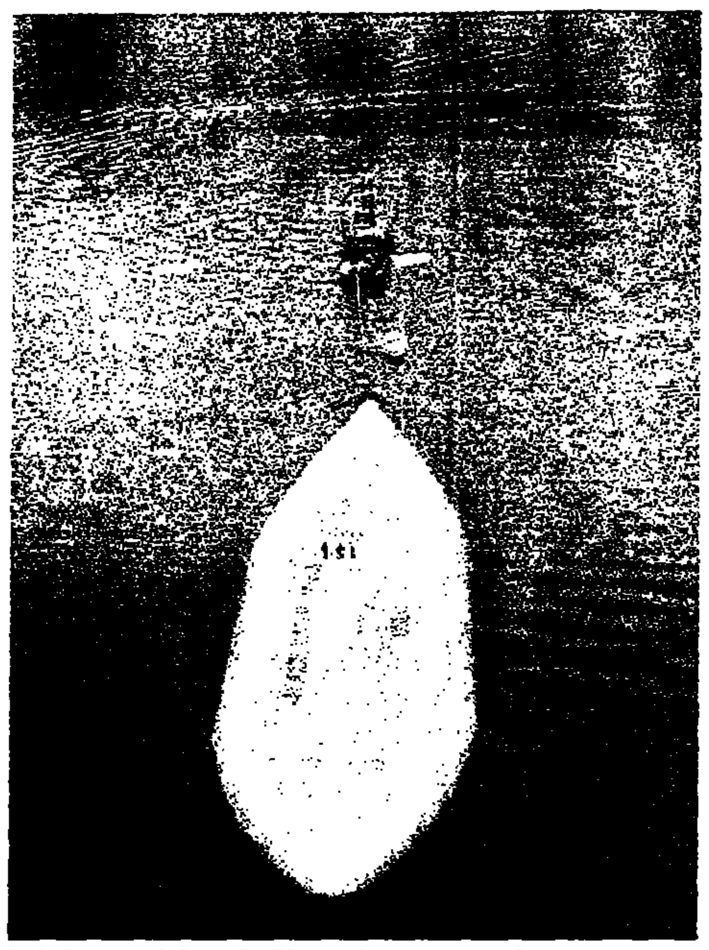
NWS has orders for up to eight vessels from Turkey, whose ministry of hydropower and water supply jointly funded the $10m (£6m) research project.

Although the first two vessels will be just over 100m long, later variants in the Turkish order will be far bigger, and capable of carrying 30,000 tonnes of fresh water. Yet the plastic material will be only 0.5mm thicker.

'One source is an underground river of exceptional purity . . . People have drawn from it since Biblical times'

When empty, the vessels can be rolled up and transported by road in standard 40ft containers. Each vessel weighs just nine tonnes, except for the steel section which links it to a tug.

At first the Turks intend to serve their own domestic needs, but hope to supply eastern Mediterranean countries such as Israel, Syria and Lebanon, whose water supply problems are often acute, and can be the subject of cross-border tension.



In the bag: a seafaring wafer-thin container can carry 10,000 tonnes of water

Turkish engineers have already identified a number of water sources around Antalya with an almost limitless capacity. "One is an underground river of exceptional purity," says Mr Halvorsen. "People have drawn from it since Biblical times." Pumping water into the vessels moored along the coast has not proved a problem. NWS harnessed the offshore engineering expertise of Interconcert, another Norwegian company, which has long experience in constructing floating buoy stations for the North Sea oil industry.

During tests last year, NWS pumped in the outflow from the Aurland power station on the Sogne Fjord. "This one power station alone has a capacity of 700m tonnes of water a year," says Mr Halvorsen.

Norway's southern fjords, although much closer to potential markets, contain water that is more acidic, with the possibility of trace contamination from pollution. "We can adjust the pH values [acidity] to what the consumer wants," he adds.

NWS intends to exploit its new-found expertise elsewhere in Europe. Next spring the company is scheduled to tow a 107m bag across the North Sea from the Sonje fjord to Rotterdam as a demonstration. In the Dutch port, a new company, Water Bedrift Europoort, will sell the contents to locals eager to taste pure mountain water.

Mr Halvorsen says plastic vessels can do the job at less than half the price of a commercial tanker. "A bag containing 60,000 tonnes could be delivered to London Bridge for as little as NKr80,000 (£6,570)," he said, "although smaller volumes may cost up to NKr140,000."

Prices will vary according to volumes delivered and the distance travelled.

NWS's backers include Norwegian companies Statoil and Oslo Energi, and the company is aiming for a local stock market listing next year.

Although the idea of seaborne waterbags has existed for centuries, the real challenge has been in creating a vessel able to withstand 12m waves, and the Norwegians believe their patented welding system has helped them achieve it.

If so, the concept could soon provide a rapid, high-volume solution to the often chronic water shortages afflicting countries not just in the Mediterranean but in north-west Europe.

Tremor gene tracked down

An Icelandic gene-hunting company, set up to exploit the extraordinary homogeneity of the island's Viking population, reports its first success this week in the journal Nature Genetics.

Researchers from DeCode Genetics have tracked the gene for "familial essential tremor" down to a small area of chromosome 3. FET is an inherited shakiness of the limbs, which becomes worse with age; it is the most common neurological movement disorder, affecting 5-10 per cent of elderly people.

The research team led by Kari Stefansson, the company's president, expects very soon to find the gene itself. That would lead immediately to a new understanding of FET and perhaps later to effective treatments. People suffering from other movement disorders, including Parkinson's Disease, might benefit too.

DeCode – Iceland's first biotechnology company – is discussing possible collaboration with an unspecified pharmaceutical group to exploit its FET research.

At present, the cause of FET is unknown and there are no drugs to slow its progression, though brain surgery or electronic implants can help.

It took just three months from starting the project to locate the FET gene on chromosome 3, Dr Stefansson says. "In that time we had to recruit patients, examine them, collect DNA and analyse it.

"One reason why we could work so quickly is that the Icelandic community is very tight-knit, well educated and happy to co-operate in genetic studies," he says. About 150 people from 16 families took part in the FET study.

Other advantages include Iceland's national computer database covering the genealogy of the whole population over several centuries, and its excellent healthcare system which helps researchers to track the progression of disease. But the biggest competitive advantage for DeCode over gene-hunting companies elsewhere is the genetic homogeneity of Iceland.

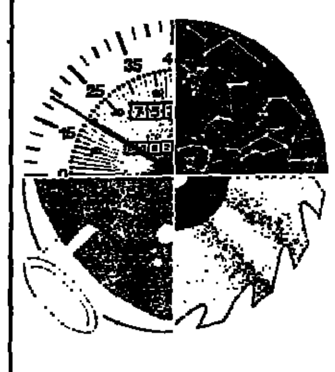
"The present population descended from Vikings who settled the island 1,100 years ago, and there is very little genetic variation among modern Icelanders," says Dr Stefansson. For technical reasons, this makes it much easier to follow the inheritance of genes through families in Iceland than in countries with more heterogeneous populations.

DeCode raised $12m (£7m) from venture capitalists in Europe and north America, though Icelanders hold a majority stake in the company. It employs about 50 people in Reykjavik, the capital.

The company's researchers are also on the trail of genes that contribute to several complex diseases. "Our work on multiple sclerosis is going extremely well," Dr Stefansson says.

Clive Cookson

Worth Watching · Vanessa Houlder



Pharmaceutical solutions

Pharmaceutical companies are putting increasing effort into finding better methods of delivering drugs. Researchers at the University of Utah in Salt Lake City have come up with a synthesised polymer that may solve some of the problems with existing systems, according to a report in today's Nature magazine.

The polymer is a thermosensitive hydrogel. It can be "loaded" with a water-based solution of drug molecules at a temperature of about 45°C and injected.

Then the solution cools to body temperature to form a gel that can act as a sustained-release system for the drug. The polymer is non-toxic and will degrade in the body over time.

University of Utah: US, tel 8015316302; fax 8015817848.

Big cows muscle in on prime breeds

A new approach to generating prime cattle breeds may be opened up by the discovery of a gene mutation that increases the proportion of muscle in cattle, according to Genome Research journal.

Scientists working at the Ruakura Agriculture Research Centre in New Zealand and the Nebraska Agricultural Research Service in the US found that a mutation in a gene called myostatin was responsible for some cattle – such as the double-muscled Belgian Blue breed – producing more muscle and less bone and fat than normal.

The discovery provides the first specific genetic information on the inheritance of agriculturally desirable traits in cattle.

AgResearch: New Zealand, tel 78385193; e-mail KambadurR@agresearch.cri.nz

A better test for bacteria

The search for better ways of testing for bacteria in drinking water is intensifying, following several public health scares.

The University of Ghent is developing a new testing technique on behalf of Chemunex, the French biotechnology group, and the Flemish Centre for Water Research, which aims to be faster and more sensitive than existing methods. These usually involve growing a microbial culture on agar plates, which can take several days.

The approach taken by the Ghent researchers uses enzymes to mark individual cells with fluorescent labels which can then be detected using ChemScan, a laser scanning system developed by Chemunex. This promises to be a highly sensitive test because it can detect damaged cells that would be missed by traditional culture techniques.

As the test does not require an incubation period, it would allow laboratories to conduct same-day testing.

Chemunex: France, tel 143969200; fax 143960115

Laser light on cell structures

A handheld laser device that can instantly extract information about blood cells could become a fast, ultra-sensitive means of detecting ailments such as sickle-cell anaemia, cancer and Aids.

The device, called a biocavity laser, can detect minute changes in cell structure. It works by inserting blood samples into the laser itself to become part of the laser generation process.

The blood cells modify the laser light, which can then be analysed in a spectrometer to detect changes in cell sizes and shapes.

The laser has been patented by scientists at the Sandia National Laboratories and the National Institutes of Health.

Sandia National Laboratories: US, tel 5058445806; http://www.sandia.gov

Bund futures fall on rate fears

GOVERNMENT BONDS

By Edward Luce in London and John Labate in New York

European bond prices slipped yesterday as nervousness about German and US interest rates persisted. US Treasuries, however, moved higher in the morning in advance of an afternoon five-year auction.

GERMAN BUND futures fell on continued worries about the country's interest rate outlook. Short-term German interest rate futures suggest a tightening of about 30 basis points in the repo rate by December.

But analysts said there was little sign the Bundesbank was prepared to move soon, with several political events in the near future. These include the ruling CDU-CSU strategy meeting this week; the meeting between Helmut Kohl, the German chancellor, and Lionel Jospin, prime minster of France, at the weekend; and the European finance ministers' meeting next month.

"There's very little on the economic front to move the markets at the moment, so we'll be watching the Bundesbank council meeting every other week especially closely," said Andrew Bevan, chief international economist at Goldman Sachs. "If rates were raised now, it might be self-defeating for the D-Mark's recent appreciation," he added.

The German long-bond futures contract fell 0.20 to close at 101.95 on Liffe. The spread of the long bund yield below US Treasuries remained steady at 74 basis points.

UK trade figures for June and July had little effect on UK GILT prices. Analysts said the rise in the current account deficit for June was seen as erratic.

The September contract on the long gilt future fell by $\frac{3}{32}$ to close at 114$\frac{9}{32}$ on thin trading.

"UK interest rates are on hold so the markets have little to guide them until we see retail sales and export figures for August," said Joanne Collins, senior market strategist at Nomura.

In New York, the 30-year US TREASURY was up $\frac{1}{32}$ at 96¾, yielding 6.631 per cent by early afternoon.

The two-year note was $\frac{1}{32}$ higher at 99$\frac{31}{32}$, yielding 5.959 per cent, and the 10-year note was up $\frac{3}{32}$ at 98$\frac{5}{16}$, yielding 6.347 per cent.

On a slow news day traders awaited the afternoon auction of $11.5bn in five-year Treasury notes. Tuesday's auction of $15.5bn in two-year notes was considered a mild success with good demand. Helping to keep prices firm was morning strength in the dollar, particularly against the yen.

Traders were awaiting the release today of the GDP revision for the second quarter, which most analysts expect to be increased. Another closely-watched figure, the Chicago Purchasing Management report, is due on Friday.

"Until we actually see something concrete on increasing or decreasing inflation, we're going to bounce around in these ranges," said Kevin Logan, senior market economist at Dresdner, Kleinwort Benson.

Landesbank deals dominate

INTERNATIONAL BONDS

By Our Capital Markets Staff

Primary market activity was dominated by German financial institutions yesterday, as three landesbanks tapped different currencies.

"German banks were very active," said a syndicate manager in London. "And we are still expecting more issues from German borrowers, mainly in dollars, in the next few days."

Although the dollar, helped by its safe haven status, is expected to be the most active sector, bankers believe issuance in D-Marks could regain momentum in coming weeks.

"There is a perception among investors that the currency is at a turning point," said a syndicate official. "Demand is rising because investors feel it is unlikely the D-Mark will fall much further against the dollar."

LANDESBANK SACHSEN, the state bank of Saxony, made its debut on the international bond market with a three-year $200m issue priced to yield 12 basis points more than three-year Treasury notes. The spread was stable in late trading.

"The goal behind this is to widen the investor base" for Landesbank Sachsen, said an official at BNP, joint lead manager with Dresdner Kleinwort Benson. He also said the issue had met good support from Swiss and Benelux investors.

Landesbank Sachsen, which was created after German reunification in 1990, is the newest of the German landesbanks. It carries a AAA rating from IBCA but is not rated by Moody's or Standard & Poor's.

SCHLESWIG-HOLSTEIN, launched a seven-year DM500m issue through its finance subsidiary Landesbank Schleswig-Holstein Finance. The deal was priced to yield 10 basis points over German bunds with the same maturity.

JAPAN HIGHWAY tapped the dollar sector for the first time in almost a year, with a $500m 10-year offering. The Industrial Bank of Japan, joint lead manager with J. P. Morgan, said the spread of 34 basis points over Treasuries was significantly wider than its previous 10-year deal, which offered a spread of 26 points.

Yesterday's "favourable" pricing reflected "the widening of secondary market spreads in the last few months", according to IBJ.

"The market has been dead in the past six weeks and spreads have widened dramatically," J. P. Morgan added. It also said there was strong buying by Asian central banks. About 35 per cent of the distribution went to Japanese buyers.

DAIWA BANK became the third Japanese bank in three weeks to raise long-term capital, with a $150m issue of perpetual bonds.

In the past two weeks, Sakura Bank and Fuji Bank launched similar deals. Proceeds from perpetual bonds, which qualify as Upper Tier 2 capital, boost banks' solvency ratios. Nomura, lead manager, said Daiwa's bonds had attracted a variety of non-Asian investors.

"It offered the widest margin [110 basis points] of the three," said a syndicate official. "Investors felt that they might as well take the extra yield, despite the lower rating."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Japan Highway Public Corp	500	6.75	99.559R	Sep 2007	0.325R	+34(6½%Aug07)	IBJ Intl/JP Morgan Secs
Landesbank Sachsen	200	5.625	98.205R	Sep 2000	0.1875R	+12(5%Aug00)	BNP/Dresdner KB
Lehman Brothers Hldgs(a)‡	200	(a1)	99.80R	Sep 2002	0.35R	-	Lehman Brothers Intl
Daiwa PB(b)‡	150	(b1)	99.75R	Undated	1.00R	-	Nomura International
D-MARKS							
LB Schleswig-Holstein Fin	500	5.25	99.048R	Sep 2004	0.30R	+10(6¾Jul04)	BNP/UBS Germany
Bacob Overseas‡	300	(c)	100.00	Sep 2000	0.10	-	Commerzbank
SBC, Jersey Branch(d)§	150	1.00	97.625	Sep 2002	-	-	SBC Warburg
YEN							
Swedish Export Credit(e,s)★	30bn	4.15#	100.00	Jun 2001	1.50	-	Daiwa Europe
NEW ZEALAND DOLLARS							
Commerzbank(l)	100	7.50	100.725	Sep 1999	1.125	-	TD Securities
DANISH KRONER							
WestLB Finance Curaçao	400	(f)	100.525	Oct 2005	2.00	-	Generale/Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) $250m launched 15/8/97 was increased to $450m. a1) 3-mth Libor +30bp. b) Callable from Sep 02 at par. b1) 3-mth Libor +105bp to Sep 02, then +255bp. c) 3-mth Libor +5bp. d) Exchangeable into cash value of equity basket (ABB, Alusuisse, Daimler-Benz, Mannesmann, Veba) at initial 23.77% premium. Callable from Sep 00 at par. e) Redeemed in US$. f) 5% to 27/10/01, then 7¼%. l) Long 1st coupon. s) Short 1st coupon.

Lebanese banks awarded ratings

By Samer Iskandar

Banque Audi, Lebanon's third largest bank in terms of deposits, was awarded first time ratings yesterday by the three leading international rating agencies.

The long-term ratings ranged from B2 on Moody's scale, to BB from IBCA, with Standard & Poor's awarding its BB– grade.

"Despite the country's turbulent history, Banque Audi has remained a consistent performer and its profitability compares well domestically and internationally," IBCA said.

Moody's also awarded a B1 rating to the bank's long-term senior debt.

S&P highlighted the bank's "commitment to maintaining its capital at acceptable levels".

Moody's said: "The ending of the civil war is enabling banks to focus less on liquidity management and more on the development of conventional banking business."

Moody's also awarded identical ratings (D for financial strength; B2 for long-term deposits and Not Prime for short-term deposits) to Banque du Liban et d'Outre Mer, Lebanon's largest bank, as well as to Banque de la Méditerranée and Byblos Bank.

"These ratings reflect the individual repayment ability of the banks, Moody's confidence that principal shareholders would use their personal wealth to support their bank and the likelihood that in a stress scenario each of the banks would also be able to count on support from the Lebanese financial authorities," Moody's said.

Japanese bond yields dip below 2%

By Gillian Tett in Tokyo and Edward Luce in London

Long-term interest rates in Japan plunged to striking new lows yesterday on the back of new concerns about the economy.

The yield on 10-year government benchmark bonds fell below 2 per cent during the day – a record low for Japan and the lowest level anywhere in the world for more than 50 years.

Although the 10-year bond yield closed slightly higher at 2.05 per cent, analysts said it was likely to hover around the 2 per cent mark for the foreseeable future. The yield on the 20-year bond closed at 2.75 per cent in Tokyo.

"In the medium term Japanese yields have to rise," said Joanne Collins, senior market strategist at Nomura in London. "If, as seems increasingly likely, the Japanese government feels the economy needs a fiscal kick-start to get going, then yields will rise quite sharply in line with increased bond issuance."

For the time being, however, liquidity outflows from Japan are likely to persist, said analysts. Historically low yields in Japan have prompted unprecedented demand for overseas bonds by Japanese investors this year. In both April and May, net overseas bond purchases were more than $11bn, compared with $44bn for all 1996.

Concern about the economy yesterday also pushed the Japanese stock market down by nearly 2 per cent, to close at 18,441.94 – the first time it has fallen below 18,500 for over four months.

At this level the market is well below the ranges seen earlier this summer, when a new burst of optimism about the Japanese economy left many traders feeling confident about the outlook for shares – and helped pushed the Nikkei above 20,000.

The latest market movements reflect a new concern that has emerged among economists and some government officials in recent weeks that the economy may take longer to rebound from April's consumption tax increase than expected.

The government has hitherto insisted that the economy should rebound quickly from the tax increase.

Yasuo Matsushita, governor of the Bank of Japan, yesterday insisted that the economy was still recovering "mildly." Although consumer spending in Japan has recently been weak, demand should not be too seriously derailed by the tax increase, he said. Meanwhile, production trends remained relatively steady, he argued.

However, Hiroshi Mitsuzuka, Japan's finance minister, yesterday admitted that the recovery was "a little dull".

And though some economists forecast that yields on bonds will soon rebound, after their historic fall yesterday, others suspect that new records could still be set, particularly given that forthcoming data is expected to be relatively downbeat. William Campbell of J. P. Morgan said: "We think that yields of 1.5 per cent are not impossible if the market starts pricing for a deflationary spiral."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	122.0593	–0.660	6.93	6.65	6.55
Austria		5.625	07/07	99.0400	–0.170	5.75	5.64	5.61
Belgium		6.250	03/07	103.1000	–0.240	5.81	5.66	5.64
Canada *		7.250	06/07	108.5500	–0.030	6.07	5.94	5.90
Denmark		7.000	06/07	105.1100	–0.140	6.30	6.19	6.10
France	BTAN	4.750	03/02	99.8129	–	4.79	4.69	4.58
	OAT	5.500	10/07	99.5100	+0.320	5.56	5.50	5.42
Germany Bund		6.000	07/07	102.1100	–0.080	5.71	5.60	5.56
Ireland		8.000	08/06	110.0500	–0.150	6.49	6.36	6.33
Italy		6.750	02/07	100.8400	–0.280	6.63†	6.53	6.42
Japan	No 148	5.600	06/02	119.8376	–0.190	1.33	1.35	1.56
	No 182	3.000	09/05	107.0589	–0.270	2.05	2.07	2.28
Netherlands		5.750	02/07	100.6100	–0.250	5.66	5.52	5.50
Portugal		6.625	07/07	101.5500	–0.150	6.39	6.23	6.12
Spain		7.350	03/07	106.9500	–0.250	6.34	6.25	6.18
Sweden		8.000	08/07	110.0535	+0.070	6.59	6.53	6.49
UK Gilts		7.000	06/02	99–26	–3/32	7.04	7.00	7.13
		7.250	12/07	101–03	–5/32	7.10	7.01	7.03
		9.000	10/08	114–08	–5/32	7.12	7.03	7.06
US Treasury *		6.125	08/07	98–10	–5/32	6.36	6.20	6.18
		6.375	08/27	96–20	+10/32	6.64	6.51	6.48
ECU (French Govt)		5.500	04/07	96.5100	–0.130	5.98	5.84	5.86

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.98
Prime rate	8½	Two month	-	Three year	6.10
Broker loan rate	7¼	Three month	5.26	Five year	6.23
Fed.funds	5⅝	Six month	5.38	10-year	6.36
Fed.funds at intervention	-	One year	5.57	30-year	6.64

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.64	129.50	–0.08	129.76	129.42	70,111	161,261
Dec	98.66	98.46	–0.10	98.68	98.42	2,175	14,042
Mar	98.06	97.86	–0.10	98.06	98.06	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.50	-	-	-	-	-
128	1.51	-	-	0.01	-	-
129	0.55	-	-	0.05	-	-
130	0.02	-	-	0.52	-	-
131	0.01	-	-	1.51	-	-

Est. vol. total, Calls 9,816 Puts 10,150. Previous day's open int., Calls 94,034 Puts 161,578.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.16	101.95	-0.20	102.27	101.88	161382	251453
Dec	101.27	101.06	-0.20	101.33	101.03	15554	36772

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
10100	0.60	0.89	1.09	1.15	0.54	0.83	1.03	1.98
10150	0.36	0.64	0.84	0.96	0.80	1.08	1.28	2.29
10200	0.20	0.44	0.63	0.79	1.14	1.38	1.57	2.62

Est. vol. total, Calls 9228 Puts 13418. Previous day's open int., Calls 93335 Puts 113489

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.85	135.29	-0.35	135.93	135.15	47931	91135
Dec	107.96	107.51	-0.33	108.10	107.45	5630	22707

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10750	1.58	2.54	1.57	1.99
10800	1.32	2.28	1.81	2.23
10850	1.09	2.04	2.08	2.49

Est. vol. total, Calls 3442 Puts 5456. Previous day's open int., Calls 28656 Puts 21055

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.94	116.69	–0.22	117.06	116.57	86,363	79,785
Dec	100.79	100.60	–0.07	100.80	100.65	651	3,074

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-14	114-09	-0-05	114-18	114-08	85599	125645
Dec	114-05	113-31	-0-05	114-08	113-27	50126	54833

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
113	1-26	1-47	2-04	2-24	0-28	0-49	1-06	1-50
114	0-50	1-11	1-30	1-56	0-52	1-13	1-32	2-18
115	0-24	0-48	0-63	1-29	1-26	1-50	2-01	2-55

Est. vol. total, Calls 204 Puts 900. Previous day's open int., Calls 21166 Puts 19474

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.50	96.52	–0.08	96.60	96.46	3,939	5,970
Dec	-	96.18	–0.08	-	-	-	-

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112–21	112–31	+0–12	112–31	112–20	508,356	446,939
Dec	112–09	112–18	+0–11	112–18	112–08	84,053	99,459
Mar	–	111–31	–	–	–	167	32,723

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.26			127.33	127.23	4302	n/a
Dec	126.46			126.55	126.48	3183	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Aug 27	Day's change %	Tue Aug 26	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.19	–0.02	119.21	1.94	7.34
2 5-15 years (20)	152.58	–0.10	152.72	2.87	7.42
3 Over 15 years (5)	181.51	–0.16	181.79	7.08	6.89
4 Irredeemables (5)	239.14	–0.13	239.46	3.94	8.36
5 All stocks (50)	146.91	–0.08	147.03	3.20	7.48

	Low coupon yield Aug 27	Aug 26	Yr. ago	Medium coupon yield Aug 27	Aug 26	Yr. ago	High coupon yield Aug 27	Aug 26	Yr. ago
5 yrs	7.07	7.06	7.16	7.15	7.13	7.25	7.16	7.16	7.30
15 yrs	7.07	7.05	8.14	7.10	7.06	8.14	7.16	7.14	8.16
20 yrs	7.07	7.05	8.25	7.06	7.06	8.23	7.15	7.14	8.26
Irred.†	7.15	7.14	8.32						

Index-linked

	Wed Aug 27	Day's change %	Tue Aug 26	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	207.01	0.00	207.00	2.47	3.03
7 Over 5 years (11)	199.93	-0.05	200.02	0.93	4.70
8 All stocks (13)	199.58	-0.04	199.67	1.08	4.51

	Inflation 5% Aug 27	Aug 26	Yr. ago	Inflation 10% Aug 27	Aug 26	Yr. ago
Up to 5 yrs	3.82	3.82	2.09	2.93	2.82	0.42
Over 5 yrs	3.56	3.55	3.89	3.35	3.34	3.47

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 27	Aug 26	Aug 22	Aug 21	Aug 20	Yr ago	High*	Low*
Govt. Secs. (UK)	96.50	96.81	96.58	96.81	97.03	92.79	97.88	93.31
Fixed Interest	125.74	125.54	125.64	126.12	126.10	113.24	126.88	115.32

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Gilt Edged Activity Indices

	Aug 26	Aug 22	Aug 21	Aug 20	Aug 19
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on August 27

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. § Indicative price.

CURRENCIES AND MONEY

Mr Yen lends the dollar a hand

MARKETS REPORT

By Simon Kuper

The dollar crept nearer the top of its perceived band against the yen yesterday, as Japan's economic gloom grew.

The dollar rose Y0.4 to close in London at Y118.9 to the yen. Most traders think Tokyo aims to keep the dollar between Y110 and Y120. That belief has been the main force holding back the dollar recently, since traders are as bullish about the US economy as they are bearish about Japan's.

But Philippa Malmgren, currency strategist at Bankers Trust in London, said she had understood from Tokyo officials at the ministry of finance and other departments that they would not mind the dollar rising above Y120 to the yen. If true, that upsets the market orthodoxy.

Japan's economic gloom grew yesterday after Eisuke Sakakibara, vice finance minister for international affairs, told the Financial Times: "I am more concerned about the economy than I was two months ago." Mr Sakakibara, known to traders as Mr Yen for his power to move the currency, had driven the dollar down almost vertically in April and May, largely by hinting that Japan would raise interest rates to restrain its economy. But yesterday he said the economy had been hit harder by a rise in consumption tax than had been expected. Michael Burke, senior economist at Citibank in London, said: "Japanese policymakers are much less confident than they were, and with reason."

■ Pound in New York

Aug 27	—Latest—	— Prev. close —
£ spot	1.6125	1.6125
1 mth	1.6103	1.6103
3 mth	1.6062	1.6064
1 yr	1.5889	1.5900

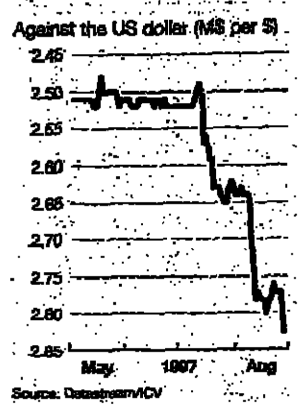
With no prospects of an imminent rate rise, the yield on Japan's 10-year government bond temporarily fell below 2 per cent for the first time yesterday. The stock market dropped on Mr Sakakibara's comments.

Better than expected UK trade figures for June had little impact on the market. Paul Lambert, senior currency economist at UBS in London, said the pound rose because it bounced off strong support around DM2.8850 to the D-Mark. The pound climbed 1.3 pfennigs to DM2.917 against the D-Mark, dragging the dollar up 0.9 pfennigs to DM1.810.

■ Ms Malmgren, who is in close touch with government officials in the US and Japan, has a lot to report. She says firstly that Japanese officials are not seeking to keep the dollar below Y120 to the yen. She thinks this means they would be happy to see the US currency rise to at least Y125.

Malaysian dollar

Against the US dollar (M$ per $)



Source: Datastream/ICV

She has also talked to US government trade officials and members of the House ways and means committee. She says they are not worried about the growing US trade deficit with Japan. As she points out, little of the US economy consists of tradable goods, and the country is booming at the moment and content to export economic growth to Japan. If the US is indeed unconcerned about the deficit, that would remove another block on the dollar.

She says that the only thing that Robert Rubin, US treasury secretary, has asked from Tokyo is lower taxes. Ms Malmgren says his rationale is that if the US economy slows next year, he wants Japan's to be growing fast enough to take up the slack.

She concludes that the dollar is free to rise. Mr Sakakibara's comments yesterday may bear her out.

■ The Malaysian ringgit yesterday hit its lowest level against the dollar since it was officially floated in 1973. In late European trading it was at M$2.8335/85 to the US dollar, down from M$2.7850 late on Tuesday.

Asian currencies have been falling since May, Malaysia's stock market is sliding, and the country's current account deficit is expected to surge. David Simmonds, emerging markets economist at Citibank in London, said that yesterday's sharp fall in the Indonesian rupiah, and the continued slide in the Thai baht, meant that the ringgit had to fall if Malaysian exports were to compete with those of neighbouring countries.

He said Asian central banks could no longer defend particular levels for their currencies, as earlier interest rate rises and attempts to talk currencies higher had had little impact. Now they must "allow these currencies to find a level and let the economic fundamentals do the talking".

■ OTHER CURRENCIES

Aug 27	£	$
Czech Rp	54.3149 - 54.3994	33.7150 - 33.7570
Hungary	316.030 - 316.209	196.170 - 196.220
Iran	4834.50 - 4833.00	3000.00 - 3001.00
Kuwait	0.4909 - 0.4912	0.3047 - 0.3048
Poland	5.5813 - 5.5879	3.4645 - 3.4675
Russia	9388.91 - 9393.43	5828.00 - 5829.00
U.A.E.	5.9162 - 5.9194	3.6724 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Aug 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5285	+0.0951	193 - 376	20.5573	20.2911	20.4741	3.2	20.3614	3.3	19.8559	3.3	102.1
Belgium	(BFr)	60.2447	+0.2635	031 - 862	60.3280	59.5500	60.0647	3.6	59.6947	3.7	57.9447	3.8	101.6
Denmark	(DKr)	11.1094	+0.0474	061 - 127	11.1288	10.9888	11.0779	3.4	11.0139	3.4	10.7224	3.5	103.9
Finland	(FM)	8.7557	+0.0501	501 - 612	8.7750	8.6540	8.7303	3.5	8.6778	3.6	8.4652	3.3	80.9
France	(FFr)	9.8242	+0.0359	223 - 261	9.8446	9.7060	9.7912	4.0	9.7342	3.7	9.4587	3.7	104.3
Germany	(DM)	2.9170	+0.0134	159 - 181	2.9229	2.8842	2.9076	3.8	2.8886	3.9	2.8017	4.0	102.5
Greece	(Dr)	458.965	+1.837	813 - 116	459.868	454.187	460.748	-4.7	463.372	-3.8	471.74	-2.8	65.1
Ireland	(I£)	1.0916	+0.0037	905 - 927	1.0928	1.0822	1.0911	0.5	1.0897	0.7	1.0788	1.2	99.4
Italy	(L)	2849.98	+15.74	825 - 171	2851.71	2817.95	2850.06	0.0	2850.03	0.0	2847.43	0.1	75.9
Luxembourg	(LFr)	60.2447	+0.2635	031 - 862	60.3280	59.5500	60.0647	3.6	59.6947	3.7	57.9447	3.8	101.6
Netherlands	(Fl)	3.2862	+0.0157	853 - 871	3.2919	3.2498	3.276	3.7	3.2551	3.8	3.1591	3.9	101.0
Norway	(NKr)	12.0825	-0.0192	775 - 874	12.1531	11.9721	12.05	3.2	11.989	3.1	11.72	3.0	96.5
Portugal	(Es)	295.664	+0.911	457 - 871	296.855	292.785	295.508	0.6	294.978	0.9	290.89	1.6	92.1
Spain	(Pta)	246.723	+1.068	660 - 785	247.030	244.090	246.408	1.5	245.658	1.7	241.288	2.2	76.6
Sweden	(SKr)	12.7029	-0.0315	948 - 109	12.7201	12.6147	12.6754	2.6	12.6169	2.7	12.3604	2.7	85.3
Switzerland	(SFr)	2.4122	+0.0106	110 - 134	2.4184	2.3876	2.4013	5.4	2.3787	5.6	2.2784	5.5	105.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.9
Ecu	-	1.4846	+0.0058	838 - 853	1.4870	1.4695	1.4813	2.7	1.4741	2.8	1.4401	3.0	-
SDR†	-	1.857140	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6110	-0.0014	107 - 112	1.6148	1.6040	-	-	-	-	-	-	-
Brazil	(R$)	1.7590	-0.0028	586 - 594	1.7633	1.7524	-	-	-	-	-	-	-
Canada	(C$)	2.2428	-0.0041	420 - 435	2.2516	2.2383	2.2359	3.7	2.2223	3.7	2.1714	3.2	84.4
Mexico	(New Peso)	12.4961	-0.0217	901 - 020	12.5227	12.4670	-	-	-	-	-	-	-
USA	($)	1.6113	-0.0014	110 - 115	1.6151	1.6043	1.6091	1.6	1.6051	1.5	1.5889	1.4	105.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1739	+0.0151	726 - 751	2.1815	2.1442	2.1703	2.0	2.1619	2.2	2.125	2.3	95.6
Hong Kong	(HK$)	12.4780	-0.0082	753 - 807	12.5069	12.4213	12.477	0.1	12.4705	0.2	12.4155	0.5	-
India	(Rs)	58.5932	-0.0688	760 - 103	58.6690	58.3400	58.7884	-4.0	59.189	-4.1	60.8587	-3.9	-
Israel	(Shk)	5.6758	-0.0111	685 - 831	5.6831	5.6685	-	-	-	-	-	-	-
Japan	(Y)	191.505	+0.352	403 - 607	192.370	190.120	190.485	6.4	188.46	6.4	179.475	6.3	130.3
Malaysia	(M$)	4.5639	+0.0685	591 - 686	4.5763	4.4833	4.5682	-1.1	4.5762	-1.1	4.5948	-0.7	-
New Zealand	(NZ$)	2.5041	+0.0059	023 - 058	2.5126	2.4796	2.5073	-1.5	2.5111	-1.1	2.5117	-0.3	108.2
Philippines	(Peso)	48.2248	-0.0433	367 - 126	49.7333	48.1367	48.3847	-4.0	48.6341	-3.4	49.6911	-3.0	-
Saudi Arabia	(SR)	6.0432	-0.0054	421 - 443	6.0574	6.0177	6.0397	0.7	6.0312	0.8	5.9948	0.8	-
Singapore	(S$)	2.4282	+0.0188	270 - 293	2.4338	2.4027	2.4236	2.3	2.4135	2.4	2.3653	2.6	-
South Africa	(R)	7.5648	-0.0028	612 - 684	7.5797	7.5194	7.6255	-9.6	7.7434	-9.4	8.1804	-8.1	-
South Korea	(Won)	1454.15	+2.72	990 - 841	1458.41	1448.52	-	-	-	-	-	-	-
Taiwan	(T$)	46.3074	-0.0255	357 - 790	46.3790	46.0867	46.2908	0.4	46.251	0.5	46.0534	0.5	-
Thailand	(Bt)	54.8631	+0.0812	935 - 327	55.0357	53.6910	55.1997	-7.4	55.5613	-5.8	56.6915	-3.3	-

† Rates for Aug 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.7407	+0.0704	370 - 444	12.7570	12.6204	12.7167	2.3	12.6677	2.3	12.4437	2.3	101.9
Belgium	(BFr)	37.3900	+0.197	700 - 100	37.4220	37.0380	37.315	2.4	37.1635	2.4	36.47	2.5	101.8
Denmark	(DKr)	6.8949	+0.0356	939 - 959	6.9057	6.8345	6.8832	2.0	6.8589	2.1	6.7525	2.1	103.4
Finland	(FM)	5.4341	+0.0359	315 - 367	5.4443	5.3809	5.4226	2.6	5.399	2.6	5.3051	2.4	80.5
France	(FFr)	6.0973	+0.0278	970 - 975	6.1080	6.0445	6.0857	2.3	6.0619	2.3	5.9531	2.4	103.9
Germany	(DM)	1.8104	+0.0099	100 - 108	1.8135	1.7940	1.8066	2.6	1.7988	2.6	1.7638	2.6	102.3
Greece	(Dr)	284.850	+1.395	800 - 900	285.500	282.260	286.145	-5.5	288.2	-4.7	295.35	-3.7	64.8
Ireland	(I£)	1.4761	-0.0063	748 - 773	1.4868	1.4745	1.4753	0.6	1.4744	0.5	1.4748	0.1	-
Italy	(L)	1768.80	+11.35	800 - 960	1771.00	1753.00	1770.57	-1.2	1773.58	-1.1	1777	-0.5	75.8
Luxembourg	(LFr)	37.3900	+0.197	700 - 100	37.4220	37.0380	37.315	2.4	37.1635	2.4	36.47	2.5	101.8
Netherlands	(Fl)	2.0396	+0.0116	393 - 398	2.0430	2.0204	2.0354	2.5	2.0269	2.5	1.9891	2.5	101.1
Norway	(NKr)	7.4988	-0.0052	969 - 007	7.5345	7.4414	7.4844	2.3	7.4559	2.3	7.3442	2.1	95.6
Portugal	(Es)	183.500	+0.73	400 - 600	183.900	182.060	183.464	0.2	183.41	0.2	182.24	0.7	92.8
Spain	(Pta)	153.125	+0.8	110 - 140	153.330	151.800	153.08	0.4	152.905	0.6	151.73	0.9	76.2
Sweden	(SKr)	7.8839	-0.0125	801 - 876	7.8876	7.8432	7.8748	1.4	7.8555	1.4	7.7815	1.3	84.6
Switzerland	(SFr)	1.4971	+0.0079	966 - 976	1.5009	1.4840	1.4918	4.3	1.4811	4.3	1.4356	4.1	105.7
UK	(£)	1.6113	-0.0014	110 - 115	1.6151	1.6043	1.6091	1.6	1.6051	1.5	1.5889	1.4	101.1
Ecu	-	1.0854	-0.0052	850 - 857	1.0940	1.0830	1.0868	-1.6	1.09	-1.7	1.1056	-1.9	-
SDR†	-	0.73301	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0917	-0.0007	916 - 918	1.0932	1.0916	-	-	-	-	-	-	-
Canada	(C$)	1.3920	-0.0013	917 - 922	1.3960	1.3913	1.3888	2.7	1.3831	2.5	1.3625	2.1	84.0
Mexico	(New Peso)	7.7555	-0.0065	530 - 580	7.7580	7.7530	7.864	-16.8	8.075	-16.5	8.9855	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3492	+0.0106	486 - 497	1.3507	1.3486	1.3486	0.5	1.3468	0.7	1.3384	0.8	95.6
Hong Kong	(HK$)	7.7443	+0.0013	438 - 448	7.7460	7.7424	7.7448	-0.1	7.7457	-0.1	7.748	0.0	-
India	(Rs)	36.3650	-0.01	600 - 700	36.3750	36.3350	36.5025	-4.5	36.7875	-4.6	38	-4.5	-
Israel	(Shk)	3.5226	-0.0037	188 - 266	3.5275	3.5210	-	-	-	-	-	-	-
Japan	(Y)	118.855	+0.325	810 - 900	119.200	118.100	118.34	5.2	117.34	5.1	113.04	4.9	131.8
Malaysia	(M$)	2.8325	+0.045	300 - 350	2.8380	2.7850	2.837	-1.9	2.846	-1.9	2.876	-1.5	-
New Zealand	(NZ$)	1.5541	+0.005	533 - 550	1.5550	1.5533	1.5549	-0.6	1.5573	-0.8	1.5674	-0.9	-
Philippines	(Peso)	29.9300	-	800 - 800	31.0000	29.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7507	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5070	+0.013	065 - 075	1.5075	1.4945	1.5052	1.4	1.5014	1.5	1.482	1.7	-
South Africa	(R)	4.6950	+0.0025	935 - 965	4.6975	4.6830	4.7355	-10.4	4.815	-10.2	5.1175	-9.0	-
South Korea	(Won)	902.500	+2.5	000 - 000	905.000	900.000	-	-	-	-	-	-	-
Taiwan	(T$)	28.7400	+0.01	000 - 800	28.7800	28.7000	28.751	-0.5	28.76	-0.3	28.8525	-0.4	-
Thailand	(Bt)	34.0500	+0.05	500 - 500	34.1500	33.4010	34.495	-15.7	35.2	-13.5	36.43	-7.0	-

† SDR rate per $ for Aug 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 26: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 27	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.17
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	3.00
Switzerland	1	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.43	5.46	5.54	5.73	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 3/16	3 15/32 - 3 11/32	3 5/8 - 3 1/2	3 11/16 - 3 9/16	3 23/32 - 3 21/32	3 29/32 - 3 25/32
Danish Krone	3 21/32 - 3 1/4	3 9/16 - 3 1/2	3 9/16 - 3 7/16	3 11/16 - 3 9/16	3 27/32 - 3 11/16	4 1/8 - 4
German Mark	3 1/8 - 2 15/16	3 13/32 - 3 5/16	3 1/4 - 2 31/32	3 5/16 - 3 3/16	3 7/16 - 3 5/16	3 11/16 - 3 7/16
Dutch Guilder	3 1/4 - 3 1/8	3 5/16 - 3 1/4	3 3/8 - 3 1/4	3 17/32 - 3 3/8	3 19/32 - 3 7/16	3 27/32 - 3 21/32
French Franc	3 7/32 - 3 1/8	3 5/16 - 3 3/16	3 3/16 - 3 7/32	3 7/16 - 3 5/16	3 9/16 - 3 15/32	3 25/32 - 3 21/32
Portuguese Esc.	5 7/16 - 5 11/32	5 1/2 - 5 7/16	5 1/2 - 5 15/32	5 1/2 - 5 7/16	5 7/16 - 5 3/8	5 3/8 - 5 9/32
Spanish Peseta	5 1/2 - 5 13/32	5 17/32 - 5 15/32	5 13/32 - 5 11/32	5 3/8 - 5 5/16	5 5/16 - 5 7/32	5 7/32 - 5 5/32
Sterling	7 3/16 - 6 13/16	7 1/4 - 7 1/8	7 7/32 - 7 3/16	7 9/32 - 7 3/16	7 7/16 - 7 5/16	7 19/32 - 7 15/32
Swiss Franc	1 1/4 - 3/4	1 3/8 - 1 1/4	1 7/16 - 1 5/16	1 1/2 - 1 3/8	1 21/32 - 1 17/32	1 7/8 - 1 5/8
Canadian Dollar	3 5/16 - 3 1/8	3 3/8 - 3 1/4	3 7/16 - 3 5/16	3 21/32 - 3 17/32	3 29/32 - 3 25/32	4 3/8 - 4 1/4
US Dollar	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5 21/32 - 5 17/32	5 11/16 - 5 19/32	6 - 5 7/8	6 1/32 - 5 29/32
Italian Lira	7 13/32 - 6 13/32	6 27/32 - 6 21/32	6 7/8 - 6 25/32	6 27/32 - 6 3/4	6 3/4 - 6 21/32	6 19/32 - 6 1/2
Japanese Yen	17/32 - 1/2	17/32 - 1/2	17/32 - 1/2	9/16 - 7/16	9/16 - 7/16	5/8 - 1/2
Asian $Sing	3 3/8 - 3 1/4	3 15/16 - 3 13/16	4 - 3 7/8	4 - 3 7/8	4 1/16 - 3 15/16	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.52	96.51	-	96.53	96.50	5,649	59,048
Dec	96.32	96.32	+0.01	96.35	96.29	10,367	42,513
Mar	96.19	96.19	-	96.23	96.16	605	30,059

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.63	96.61	-0.01	96.63	96.61	18359	237993
Dec	96.41	96.40	-	96.43	96.40	33213	288673
Mar	96.24	96.23	-0.01	96.27	96.22	28674	273818
Jun	96.02	96.00	-0.01	96.05	95.99	40501	218117

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.73	-0.01			0	348
Oct		96.66	+0.01			0	265
Nov		96.61	+0.01			0	60
Dec		96.40	+0.01			0	700

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.26	93.21	-0.05	93.27	93.21	7883	96765
Dec	93.57	93.50	-0.07	93.59	93.50	15387	96192
Mar	93.87	93.81	-0.06	93.89	93.81	5318	58278
Jun	94.13	94.06	-0.07	94.16	94.05	4823	47387

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.45	98.47	+0.04	98.48	98.42	7941	58632
Dec	98.14	98.17	+0.03	98.18	98.13	4199	56360
Mar	98.01	98.01	+0.01	98.02	97.98	1748	28467
Jun	97.81	97.80	-	97.83	97.79	1386	11755

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.43	99.43	-0.01	99.43	99.43	15	na
Dec		99.40	-0.02			0	na
Mar		99.32	-0.02			0	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.60	95.59	-0.01	95.60	95.58	512	9527
Dec	95.46	95.46	-0.01	95.48	95.45	458	10120
Mar	95.42	95.41	-0.01	95.43	95.41	83	6249
Jun	95.33	95.34	-0.02	95.33	95.33	1	3430

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.22	0.56	0.89	0.01	0.06	0.08
9325	0.05	0.35	0.68	0.09	0.10	0.12
9350	0.01	0.20	0.49	0.30	0.20	0.18

Est. vol. total, Calls 2985 Puts 1311. Previous day's open int., Calls 142798 Puts 89163

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.31	4.842	1.812	4731	5.455	20.06	490.8	409.5	21.09	4.004	1.660	3.723	2.675	317.9	2.464
Denmark	(DKr)	54.23	10	8.843	2.626	0.983	2565	2.958	10.88	266.1	222.1	11.43	2.171	0.900	2.019	1.450	172.4	1.336
France	(FFr)	61.32	11.31	10	2.969	1.111	2901	3.345	12.30	301.0	251.1	12.93	2.455	1.018	2.283	1.640	194.9	1.511
Germany	(DM)	20.65	3.809	3.368	1	0.374	977.0	1.127	4.142	101.4	84.56	4.355	0.827	0.343	0.769	0.552	65.65	0.509
Ireland	(I£)	55.19	10.18	9.000	2.672	1	2611	3.011	11.07	270.9	226.0	11.64	2.210	0.916	2.055	1.476	175.4	1.360
Italy	(L)	2.114	0.390	0.345	0.102	0.038	100	0.115	0.424	10.37	8.657	0.446	0.085	0.035	0.079	0.057	6.720	0.052
Netherlands	(Fl)	18.33	3.381	2.989	0.888	0.332	867.2	1	3.677	89.97	75.06	3.865	0.734	0.304	0.682	0.490	58.27	0.452
Norway	(NKr)	49.86	9.195	8.131	2.414	0.903	2359	2.720	10	244.7	204.2	10.51	1.996	0.828	1.856	1.334	158.5	1.229
Portugal	(Es)	20.38	3.757	3.323	0.987	0.369	963.9	1.112	4.087	100	83.45	4.295	0.816	0.338	0.759	0.545	64.77	0.502
Spain	(Pta)	24.42	4.503	3.982	1.182	0.442	1155	1.332	4.897	119.8	100	5.149	0.978	0.405	0.909	0.653	77.62	0.602
Sweden	(SKr)	47.43	8.746	7.734	2.296	0.859	2244	2.587	9.512	232.8	194.2	10	1.899	0.787	1.766	1.268	150.8	1.169
Switzerland	(SFr)	24.97	4.606	4.073	1.209	0.453	1181	1.362	5.009	122.6	102.3	5.266	1	0.415	0.930	0.668	79.39	0.615
UK	(£)	60.25	11.11	9.825	2.917	1.092	2850	3.286	12.08	295.7	246.7	12.70	2.412	1	2.243	1.611	191.5	1.485
Canada	(C$)	26.86	4.953	4.380	1.301	0.487	1271	1.465	5.387	131.8	110.0	5.664	1.076	0.446	1	0.718	85.38	0.662
USA	($)	37.39	6.895	6.097	1.810	0.677	1769	2.040	7.499	183.5	153.1	7.884	1.497	0.621	1.392	1	118.9	0.921
Japan	(Y)	31.46	5.801	5.130	1.523	0.570	1488	1.716	6.309	154.4	128.8	6.633	1.260	0.522	1.171	0.841	100	0.775
Ecu	-	40.58	7.484	6.618	1.965	0.735	1920	2.214	8.139	199.2	166.2	8.557	1.625	0.674	1.511	1.085	129.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5569	0.5528	-0.0046	0.5580	0.5521	45,957	101,393
Dec	0.5608	0.5560	-0.0046	0.5608	0.5554	1,412	6,070
Mar	-	-	-	-	0.5597	8	1,529

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6744	0.6681	-0.0072	0.6759	0.6677	19,056	51,395
Dec	0.6779	0.6744	-0.0079	0.6780	0.6744	924	3,457
Mar	-	0.6903	-	-	-	12	1,056

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8487	0.8431	-0.0057	0.8495	0.8412	16,277	79,566
Dec	0.8545	0.8543	-0.0056	0.8545	0.8524	264	2,778
Mar	-	0.8666	-	-	-	114	578

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6106	1.6090	+0.0002	1.6126	1.6034	8,366	47,388
Dec	1.6020	1.6030	-	1.6040	1.5970	183	1,392
Mar	-	1.6040	-	1.5980	-	6	208

UK INTEREST RATES

LONDON MONEY RATES

Aug 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6 3/4	7 1/8 - 6 15/16	7 3/16 - 7 1/32	7 5/16 - 7 3/16	7 7/16 - 7 5/16	7 5/8 - 7 1/2
Sterling CDs	-	-	7 1/8 - 7 1/32	7 5/16 - 7 1/4	7 13/32 - 7 11/32	7 7/16 - 7 3/8
Treasury Bills	-	-	6 15/16 - 6 13/16	7 - 6 7/8	-	-
Bank Bills	-	-	6 15/16 - 6 13/16	6 31/32 - 6 29/32	7 3/16 - 7 1/16	-
Local authority deps.	7 - 6 3/4	7 - 6 3/4	7 3/32 - 7 1/32	7 5/32 - 7 3/32	7 9/32 - 7 7/32	7 7/16 - 7 3/8
Discount Market deps	7 - 6 7/8	6 7/8 - 6 3/4	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 22, 6.8277pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.086pc. Finance House Base Rate 7pc from Aug 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.70	92.69	-0.01	92.71	92.69	6938	110176
Dec	92.56	92.52	-0.02	92.56	92.51	11690	129862
Mar	92.51	92.47	-0.04	92.51	92.47	10517	106400
Jun	92.53	92.50	-0.03	92.53	92.49	3942	76753
Sep	92.59	92.57	-0.02	92.59	92.56	2012	55516

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.20	0.14	0.17	0.01	0.12	0.20
9275	0.03	0.04	0.07	0.09	0.27	0.35
9300	0	0.01	0.02	0.31	0.49	0.55

Est. vol. total, Calls 400 Puts 1969. Previous day's open int., Calls 303463 Puts 212596

EMS EUROPEAN CURRENCY UNIT RATES

Aug 27	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.736741	-0.001548	-7.76	11.43	52
Italy	1906.48	1925.02	+0.87	0.97	1.80	-7
Finland	5.85424	5.91151	+0.01694	0.98	1.79	-7
Portugal	197.398	200.030	-0.001	1.33	1.43	-9
Spain	163.826	166.706	+0.016	1.76	1.01	-12
Denmark	7.34555	7.50630	-0.00047	2.19	0.59	-15
Netherlands	2.16979	2.22028	+0.00081	2.33	0.45	-17
Germany	1.92573	1.97087	+0.00017	2.34	0.43	-23
Austria	13.5485	13.8702	+0.0024	2.37	0.40	-17
Belgium	39.7191	40.6928	+0.0089	2.45	0.33	-18
France	6.45863	6.63860	-0.0015	2.79	0.00	-23
NON ERM MEMBERS						
Greece	295.269	310.412	+0.022	5.13	-2.23	-
UK	0.793103	0.677575	-0.000236	-14.57	20.31	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.600	1.83	2.56	3.24	0.97	1.86	2.69
1.610	1.27	2.10	2.75	1.46	2.34	3.20
1.620	0.86	1.66	2.36	1.93	2.87	3.78

Previous day's vol., Calls 236 Puts 759. Prev. day's open int., Calls 36,230 Puts 37,850

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.550	1.06	1.42	1.73	0.34	0.56	0.78
0.555	0.74	1.12	1.44	0.47	0.76	0.99
0.560	0.48	0.85	1.18	0.83	1.00	1.23

Previous day's vol., Calls 3,989 Puts 1,857. Prev. day's open int., Calls 23,651 Puts 20,627

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.27	-	94.27	94.26	44,612	479,922
Dec	94.09	94.08	+0.01	94.09	94.08	108,213	498,587
Mar	93.97	93.99	-	94.00	93.98	92,636	355,435

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.92	94.91	-	94.92	94.91	393	6,782
Dec	94.81	94.81	+0.02	94.81	94.81	223	2,446
Mar	94.71	94.72	+0.02	94.71	94.71	84	1,108

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.36	0.19	0.20	0.22	0	0.04	0.05	0.07
9650	0.13	0.04	0.06	0.08	0.02	0.14	0.16	0.18
9675	0.01	0	0.01	0.01	0.15	0.35	0.36	0.36
9700	0	0	0	0	0.39	0.60	0.60	0.60
9725	0	0	0	0	0.64	0.85	0.85	0.85

Est. vol. total, Calls 4337 Puts 5687. Previous day's open int., Calls 379805 Puts 281017

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.05	0.18	0.23	0.03	0.20	0.30
9875	0.01	0.02	0.03	0.29	0.36	0.57

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 4725 Puts 2303

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	* In administration	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

LEGAL NOTICES

No. 003804 of 1997
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
SEMA GROUP plc
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 31st July 1997 for the confirmation of the reduction of share capital of the above named Company from £15,000,000 to £10,399,720.20.

AND NOTICE is further given that the said Petition is directed to be heard before the Judge of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 3rd day of September 1997.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 28th day of August 1997
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref. KO
Solicitors to the Company

COMMODITIES AND AGRICULTURE

LME takes heat out of aluminium squeeze

By Kenneth Gooding, Mining Correspondent

The London Metal Exchange board yesterday took strong action to ease the technical squeeze in its aluminium market.

The move had an immediate impact on aluminium prices and traders suggested it might also act as a warning to those behind a squeeze rapidly developing in the LME's zinc market.

To take the heat out of the aluminium squeeze, the exchange imposed limits on the cost of carrying forward a short position for one day – known as the daily backwardation. This cost jumped to $40 a tonne on Tuesday.

David King, chief executive, announced the new limits before trading started. Daily backwardation is limited to $20 a tonne until September 3, then to $10 until September 5, and then to $5 a tonne.

The daily backwardation fell to $10 when trading started. Also, the premium for aluminium for immediate delivery, compared with metal for three-month delivery, which had been nearly $100 a tonne, dropped to $35 a tonne.

Mr King said the confidential nature of the information on which the LME had acted prevented it from explaining why the limit was imposed. Next year, however, there would be more information made available about large positions in the LME's markets and this would put participants in a better position to take appropriate action.

The LME's move was generally welcomed by traders, who said it had come as no surprise because the exchange authorities always seemed particularly concerned when the daily backwardation in any of its markets became excessive.

"Any intense squeeze wreaks havoc on the hedging programmes that genuine market users might have set up months before," said Robin Bhar, analyst at Brandeis (Brokers), the trading arm of Pechiney of France. "The LME should look after genuine users of its markets. Squeezers know they run the risk that the LME authorities will intervene."

Traders said the LME should now intervene in the zinc market, where the premium for immediate delivery, compared with three-month zinc, was $200 a tonne yesterday, close to a record level. So far, however, there is no daily backwardation in the zinc market and extreme tightness in the market will not be felt until the middle of September, analysts said.

The LME's Mr King said: "Every market situation is unique but we continue to monitor the zinc market carefully."

Voisey's Bay delay likely

By Kenneth Gooding, Mining Correspondent

It is now likely that the US$1.4bn Voisey's Bay project in Labrador, destined to be the world's biggest and lowest-cost nickel producer, will be delayed by a year from the target start-up in late 1999.

Inco, the Canadian group that already is the biggest nickel producer, was ordered on Tuesday by a Newfoundland court of appeal to stop construction work on a road and airstrip at the Voisey's Bay mine site.

The court's decision will mean a loss of several weeks work in the Labrador construction season, which is very short because of the extreme weather conditions.

Inco, however, was still holding out some hope that it could meet its schedule of producing concentrate – an intermediate material – in 1999 and refined nickel late in 2000.

"It is still technically possible to meet the deadline," said David Allen, Inco's spokesperson. "But it depends on the dates of further court hearings, the length of those hearings and, above all, on the weather in Labrador."

Mr Michael Sopko, Inco chairman, pointed out in June that start-up would be delayed by a year if the group missed the 1996 "weather window." Voisey's is so far north that construction work is possible only between the months of June and October.

Inco argued successfully at a court hearing last month that construction of the airstrip and road were part of the exploration effort rather than development of the mine, and therefore not subject to an environmental impact assessment.

This ruling was reversed by the court after an appeal by the Labrador Inuit Association.

Construction work has been interrupted for a week because about 300 native protestors set up barricades at the site.

Work has now stopped until a further hearing for final determination of Tuesday's ruling.

Mr Allen said he understood the hearing would be on September 2 but he had no clear idea how long it would last.

The Labrador Inuit Association and the Innu Nation are insisting they cannot support the Voisey's project until they reach environmental and financial agreements with Inco.

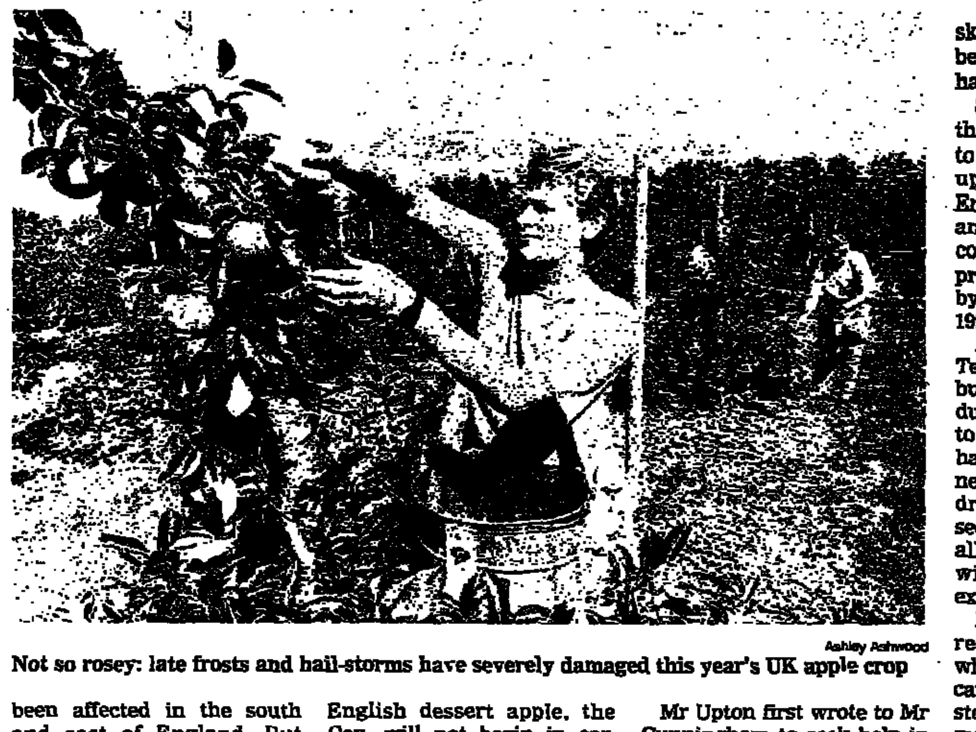
The native groups are also negotiating land claim agreements with the Newfoundland and Canadian federal governments.

Poor crop threatens apple growers

It may have been a blazing August, but England's fruit farmers are likely to be much more hot and bothered come the winter – when some of them may be facing bankruptcy.

Abnormal weather conditions earlier this year have conspired to produce what is shaping up to be the smallest crop of apples since 1934, according to English Apples & Pears, a promotional organisation working for English fruit growers.

"The English apple crop is likely to be between 50 and 60 per cent lower than normal," according to Mike Upton, chief executive of English Fruit, a co-operative of 300 fruit farmers. On the most gloomy assessment the total apple harvest – primarily Bramleys and Coxes – could be as low as 120,000 tonnes, against 300,000 tonnes in a typical year.



Ashley Ashwood

Not so rosey: late frosts and hail-storms have severely damaged this year's UK apple crop

"There are three factors behind this disaster," added Mr Upton, who has twice written to Jack Cunningham, minister of agriculture, to seek government help.

"The first was a severe frost on April 20. Next there was another late frost in May. And finally hail-storms in the summer have blown lots of fruit from the trees. All this was aggravated by the fact we had a particularly early spring, which meant the trees blossomed much earlier than usual."

All soft fruits, such as cherries, strawberries, raspberries and plums, have been affected in the south and east of England. But while some recovered to produce reasonable quantities, apples have been badly hit.

Growers and supermarkets now expect much greater imports; the current strength of sterling means continental European and north American apple exporters are keenly competitive in terms of price. About 20 per cent of all fruit on sale on UK high streets is domestically produced.

The financial impact on farmers is difficult to gauge as yet, not least because picking of the leading English dessert apple, the Cox, will not begin in earnest until September 15.

But Mr Upton is unhappily certain that "some growers will not survive, particularly those who have not diversified into other products".

The overall impact hides a wide range of damage; as the frosts were highly localised, some orchards have seen their crop wiped out, while others have been left almost unscathed. Also, the very low crop this year follows a lower than average harvest of 240,000 tonnes last year.

Mr Upton first wrote to Mr Cunningham to seek help in June, when it became clear that the harvest might be seriously damaged. Mr Cunningham replied, saying MAFF officials would consider what might be done and would also seek EU assistance. Two weeks ago Mr Upton wrote again to Mr Cunningham; as yet he has not received a reply.

English Apples & Pears says that while the overall crop will be down, the flavour of the surviving apples will be unaffected by the frosts. Some consumers, it added, may find that the skin condition of the fruit is below the standard that they have come to expect.

Supermarkets point out that although they will need to increase imports to make up the shortfall in the English apple harvest, frosts and storms have also hit continental European apple production, which is down by about 12 per cent from 1996.

A spokesman for retailer Tesco said: "We will still be buying as much British produce as we can. It's too early to tell what impact this will have on prices, but as continental European prices have dropped recently, we may see fairly stable prices overall, though English Coxes will inevitably be more expensive than last year."

Retailer Asda has responded by launching what it calls an "Apple Aid" campaign, including plans to stock apples that normally would be rejected on the basis of less than perfect skins, and a promotional move to stamp the Union Jack on all boxes of English apples, as against 70 per cent in the past.

But for the hard-pressed growers, Asda's most popular move is likely to be the one the customer notices least – a written commitment to all suppliers for their 1998 and 1999 crops. That might come in useful when the bank manager is thinking about foreclosing.

Gary Mead

Seasonal buying lifts lead prices

MARKETS REPORT

By Kenneth Gooding and Gary Mead

On the London Metal Exchange, while aluminium took nearly all the attention and most other metals remained in familiar trading ranges, lead prices moved up sharply. Traders said trade and fund buying ahead of the season of peak demand from battery makers pushed lead for three-month delivery to $653 a tonne before profit-taking saw it ease back to close at $651, up $9 a tonne.

William Adams, analyst at Rudolf Wolff, said lead could probably move up to the $670s but it would meet technical resistance between $650 and $656.

Three-month copper ended up $2 at $2,186 a tonne. The premium for immediate delivery, compared with three-month metal, was $15 to $20 a tonne.

Trading in soft commodity futures on Liffe was thin, with neither coffee nor cocoa able to break out of the current lacklustre mood.

The November contract for coffee closed $19 higher at $1,559 a tonne, having peaked at $1,568 a tonne. Much of the day was focused on traders rolling forward September positions, but the contract was boosted slightly by a growing consensus that the Brazilian crop will be lower than anticipated.

Cocoa also ended firmer, with the benchmark December contract up £5 to £1,120 a tonne, helped by news from Malaysia that the October crop may be poor, due to drought. But the market was uncertain which way to move, as other news suggested that Ivory Coast – the world's biggest producer of cocoa beans – might after all achieve a record crop.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1683-85	1657-58
Previous	1780-85	1653-60
High/low		1670/1646
AM Official	1690-92	1647-8
Kerb close		1651-52
Open int.	251,707	
Total daily turnover	109,494	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1445-55	1480-85
Previous	1460-70	1490-95
High/low		1485/1475
AM Official	1450-55	1475-80
Kerb close		1480-85
Open int.	5,179	
Total daily turnover	1,595	

■ LEAD ($ per tonne)

Close	632.5-33.5	643-44
Previous	628.5-9.5	638-9
High/low		653/640
AM Official	632-2.5	642-3
Kerb close		650-51
Open int.	34,690	
Total daily turnover	18,122	

■ NICKEL ($ per tonne)

Close	6495-505	6590-95
Previous	6545-55	6640-50
High/low		6660/6560
AM Official	6465-70	6555-65
Kerb close		6620-30
Open int.	54,516	
Total daily turnover	20,163	

■ TIN ($ per tonne)

Close	5395-400	5440-45
Previous	5420-30	5465-75
High/low		5480/5430
AM Official	5395-400	5435-40
Kerb close		5460-70
Open int.	15,485	
Total daily turnover	4,489	

■ ZINC, special high grade ($ per tonne)

Close	1692-95	1508-09
Previous	1685-88	1486-90
High/low	1700/1695	1517/1493
AM Official	1696-8	1507-8
Kerb close		1513-14
Open int.	87,898	
Total daily turnover	38,247	

■ COPPER, grade A ($ per tonne)

Close	2196-98	2178.5-79.5
Previous	2213-6	2194-5
High/low	2194	2190/2175
AM Official	2193-5	2179-80
Kerb close		2185.5-86.5
Open int.	137,457	
Total daily turnover	46,468	

■ LME AM Official £/$ rate: 1.6078
LME Closing £/$ rate: 1.6115

Spot: 1.6109 3 mths: 1.6048 6 mths: 1.5996 9 mths: 1.5940

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	99.70	+0.15	99.90	98.95	374	598
Sep	99.90	+0.10	100.30	98.90	4,701	13,793
Oct	100.15	+0.25	100.50	99.60	165	2,083
Nov	99.35	+0.10	99.35	98.75	22	1,523
Dec	99.15	+0.30	99.40	98.05	3,916	18,078
Jan	98.85	+0.20	-	-	1	748
Total					9,758	46,942

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	324.50-325.00		
Opening	325.20-325.50		
Morning fix	325.30	202.238	484.372
Afternoon fix	324.75	201.246	485.986
Day's High	325.55-325.85		
Day's Low	324.25-324.55		
Previous close	325.00-325.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.34 6 months 3.37
2 months ....3.36 12 months 3.53
3 months 3.37

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.30	465.50
3 months	293.55	470.55
6 months	298.05	476.10
1 year	306.70	486.65

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	198-200
Maple Leaf	-	-
New Sovereign	75-77	46-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	325.5	-0.2	325.2	324.8	49	68
Sep	325.8	-0.2	-	-	4	46
Oct	326.8	-0.2	327.1	325.3	504	16,024
Dec	328.8	-0.2	329.6	327.3	22,786	108k
Feb	330.5	-0.2	331.0	329.5	41	14,988
Apr	332.4	-0.2	333.0	333.0	1	5,393
Total					23,550	196,870

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	403.2	-1.4	407.0	399.0	1,063	10,372
Jan	397.2	-1.4	402.0	398.0	86	2,673
Apr	391.7	-1.4	399.0	399.0	1	435
Jul	387.7	-1.4	-	-	-	2
Total					1,451	4,403

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	190.95	-3.15	191.50	187.50	1,009	1,294
Dec	186.95	-3.15	189.00	184.10	442	2,832
Mar	184.95	-3.15	-	-	12	170
Jun	184.45	-3.15	-	-	-	107
Total					1,461	4,403

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Aug	464.0	-1.4	-	-	-	-
Sep	464.0	-1.7	466.0	461.0	18,005	23,290
Dec	470.7	-1.7	472.5	467.5	11,275	37,395
Jan	472.3	-1.7	472.0	472.0	2	33
Mar	477.5	-1.7	478.5	476.0	222	11,423
May	481.8	-1.7	480.0	480.0	16	3,078
Total					29,534	82,848

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.59	+0.31	19.60	19.17	44,357	104k
Nov	19.68	+0.27	19.70	19.32	113k	45,659
Dec	19.76	+0.23	19.80	19.44	9,965	48,172
Jan	19.79	+0.20	19.84	19.52	3,419	28,630
Feb	19.78	+0.16	19.78	19.55	1,893	14,117
Mar	19.79	+0.16	19.85	19.60	955	9,963
Total					82,287	387,471

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	18.40	+0.20	18.47	18.10	18,015	79,680
Nov	18.53	+0.18	18.56	18.25	6,214	26,379
Dec	18.65	+0.17	18.68	18.41	1,560	19,872
Jan	18.69	+0.15	18.69	18.49	1,007	16,750
Feb	18.65	+0.11	18.65	18.54	200	6,906
Mar	18.60	+0.10	18.60	18.44	793	2,803
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	52.65	+0.56	52.90	51.80	13,935	22,998
Oct	53.40	+0.70	53.65	52.50	18,690	42,778
Nov	54.50	+0.75	54.60	53.55	4,181	20,415
Dec	55.40	+0.80	55.70	54.60	8,694	20,535
Jan	56.20	+0.70	56.50	55.30	3,358	18,314
Feb	56.50	+0.70	56.80	55.75	2,548	8,893
Total					53,265	158,392

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	163.50	+0.50	164.00	161.00	8,858	17,898
Oct	165.75	+0.50	166.00	163.25	6,938	17,493
Nov	168.00	+0.75	168.00	165.00	2,009	9,618
Dec	169.75	+0.75	169.75	167.00	1,656	14,088
Jan	171.00	+0.75	171.00	168.25	844	10,164
Feb	171.25	+0.75	170.50	170.00	62	6,408
Total					19,750	85,941

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	9.080	+0.060	9.080	9.080	35	750
Oct	10.850	+0.050	10.850	10.940	50	1,190
Total					425	7,115

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.470	-0.044	2.524	2.440	49,330	31,208
Oct	2.460	-0.043	2.515	2.440	21,039	52,205
Nov	2.600	-0.040	2.645	2.595	4,284	18,984
Dec	2.710	-0.037	2.754	2.700	3,703	19,239
Jan	2.720	-0.035	2.760	2.710	2,698	19,077
Feb	2.535	-0.017	2.562	2.520	1,596	13,437
Total					88,984	219,376

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	63.40	-0.41	64.00	61.75	17,048	20,931
Oct	59.40	+0.49	59.50	57.90	11,695	38,755
Nov	58.95	+0.35	57.00	55.85	1,992	13,046
Dec	56.40	+0.30	56.70	55.60	1,073	11,420
Jan	56.30	+0.25	56.35	55.75	363	11,509
Feb	56.50	+0.10	56.50	56.50	150	1,442
Total					34,021	168,323

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	87.25	+0.50	87.75	87.25	45	162
Nov	89.50	+0.50	90.00	89.25	158	4,256
Jan	91.50	+0.50	91.90	91.25	109	2,920
Mar	93.50	+0.50	93.75	93.50	79	2,015
May	95.50	+0.50	96.00	95.25	95	1,054
Jul	97.50	+0.50	-	-	-	67
Total					486	10,474

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	371.25	+7.25	372.00	362.50	5,374	13,857
Dec	388.00	+9.00	388.50	376.50	10,824	61,173
Mar	399.00	+8.50	400.00	389.50	1,626	17,573
May	399.00	+7.00	399.00	393.00	627	2,505
Jul	395.50	+8.00	396.00	388.00	138	7,546
Dec	408.50	+6.00	414.00	404.00	5	730
Total					18,789	103,405

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	268.50	+4.75	268.75	262.75	15,137	30,531
Dec	272.00	+4.25	272.50	266.25	45,964	184,650
Mar	280.50	+4.50	280.75	275.00	5,088	45,463
May	285.50	+4.50	285.75	281.25	1,248	12,007
Jul	288.50	+4.25	288.75	284.25	930	18,683
Sep	270.75	+4.25	273.00	270.50	34	1,615
Total					68,016	303,895

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	80.25	+0.85	80.10	80.10	10	11
Nov	83.00	+0.85	83.15	83.00	69	1,015
Jan	85.00	+0.75	84.00	83.25	-	500
Mar	87.00	+0.75	86.00	86.00	10	277
May	88.50	+0.75	-	-	-	23
Total					79	1,826

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Sep	670.00	+7.75	671.00	659.00	4,509	10,791
Nov	626.50	+11.25	627.50	612.00	22,413	84,174
Jan	628.50	+12.00	629.50	613.75	2,409	18,589
Mar	636.50	+11.75	637.00	627.00	1,495	7,935
May	642.25	+10.50	643.00	633.00	553	6,162
Jul	648.00	+9.75	649.00	640.00	789	6,905
Total					32,234	136,477

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Sep	22.57	+0.12	22.61	22.34	5,215	12,115
Oct	22.75	+0.10	22.81	22.50	3,924	15,566
Dec	23.13	+0.22	23.15	22.85	8,080	38,678
Jan	23.31	+0.21	23.35	23.10	995	9,682
Mar	23.60	+0.20	23.55	23.33	542	6,759
May	23.65	+0.16	23.60	23.50	394	2,622
Total					19,511	89,212

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Sep	246.9	+2.9	247.0	243.8	9,682	19,691
Oct	218.1	+4.1	218.3	214.2	5,566	18,843
Dec	208.1	+4.6	208.5	204.0	7,557	43,622
Jan	203.5	+4.2	204.2	200.7	1,478	8,692
Mar	198.8	+4.3	198.5	195.0	704	9,771
May	198.0	+5.5	197.5	193.5	1,095	5,122
Total					26,617	110,633

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	62.0	-	62.0	62.0	-	8
Mar	93.0	-8.0	-	-	-	-
Apr	109.0	-8.0	114.0	108.1	89	1,253
May	124.0	-8.0	-	-	-	2
Jun	139.0	-8.0	-	-	-	-
Total					90	1,263

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Aug	1315	-	-	-	-	723
Sep	1450	+10	1450	1440	124	591
Oct	1555	+15	1575	1540	604	1,598
Jan	1555	+15	1575	1540	15	454
Total					753	3,636

	Close	Prev
BFI	1318	1307

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	554.25	+0.25	554.25	550.25	46	223
Dec	573.25	+1.25	573.25	569.00	25	143
Total					71	354

FUTURES DATA
All futures data supplied by CMS.

Minor metals

European free market, from Metal Bulletin. $ per lb, unless otherwise stated. Antimony: 99.65%, $ per tonne, 1,880-1,950. Bismuth: min. 99.99%, tonne lots 3.35-3.60. Cadmium: min. 99.95%, cents a pound, 45.00-55.00. Cobalt: MB free market, min. 99.8%, 22.30-23.20; min. 99.3%, 19.50-20.00. Mercury: min. 99.99%, $ per 76 lb flask, 145-155. Molybdenum: drummed molybdic oxide, 4.35-4.45. Selenium: min 99.5%, 1.90-2.90. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 40-45. Vanadium: min. 98%, CIF, 4.05-4.10. Uranium: Nuexco unrestricted exchange value, 9.20 (9.30).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1085	-	1089	1075	503	13,737
Dec	1120	+5	1123	1107	2,818	43,729
Mar	1137	+7	1138	1124	883	50,140
May	1150	+7	1152	1140	349	22,655
Jul	1162	+7	1157	1152	63	8,296
Sep	1177	+10	1180	1168	558	11,146
Total					5,666	173,293

■ COCOA CSCE (10 tonnes; $/tonnes)

Sep	1634	+3	1636	1615	36	1,016
Dec	1656	+3	1665	1636	7,382	39,079
Mar	1685	+5	1692	1668	1,127	27,089
May	1704	+4	1705	1683	740	12,521
Jul	1721	+4	1725	1714	237	2,690
Sep	1740	+4	1708	1685	30	4,195
Total					10,713	101,152

■ COCOA (ICCO) (SDR's/tonne)

Aug 26	Price	Prev. day
Daily	1276.31	1261.31

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1529	+17	1530	1510	2,861	8,588
Nov	1560	+20	1563	1540	2,449	18,028
Jan	1558	+18	1562	1540	817	7,696
Mar	1550	+20	1550	1534	269	2,133
May	1550	+30	1542	1530	52	307
Jul	1545	+30	1536	1520	81	62
Total					6,529	36,843

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	183.50	+5.35	184.00	177.50	397	831
Dec	172.25	+5.85	172.50	164.75	5,103	10,504
Mar	157.50	+5.00	157.75	151.50	411	4,061
May	152.00	+5.25	152.00	147.75	121	1,338
Jul	147.50	+6.00	147.25	142.50	20	1,020
Sep	142.50	+6.25	142.25	137.25	2	289
Total					6,056	18,173

■ COFFEE (ICO) (US cents/pound)

Aug 26		Prev. day
Comp. daily	127.53	125.07
15 day average	131.16	132.10

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Oct	327.6	+0.7	328.5	327.0	1,092	13,638
Dec	325.8	+0.7	326.0	325.2	189	8,528
Mar	327.1	+0.6	328.1	326.6	624	8,611
May	325.6	+0.8	326.1	325.3	236	2,173
Aug	324.1	+1.1	324.7	324.7	3	965
Oct	320.5	+1.3	321.0	321.0	5	2,463
Total					2,149	34,485

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.72	-0.07	11.85	11.71	10,687	93,414
Mar	12.06	-0.05	12.19	12.06	11,260	72,067
May	12.01	-0.05	12.12	12.00	2,681	17,375
Jul	11.83	-0.11	11.96	11.82	340	10,207
Oct	11.63	-0.09	11.97	11.63	168	9,241
Mar	11.77	-0.06	11.87	11.77	24	1,491
Total					25,180	203,824

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	73.00	+0.73	73.00	72.27	2,195	7,871
Dec	73.33	+0.68	73.39	72.60	17,941	47,196
Mar	74.68	+0.56	74.70	74.02	4,032	12,342
May	75.39	+0.44	75.45	74.80	2,799	5,789
Jul	76.01	+0.41	76.05	75.60	1,801	5,556
Oct	75.85	+0.50	75.80	75.80	10	669
Total					29,260	89,246

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	67.55	+0.15	67.75	67.25	2,862	6,178
Nov	69.90	+0.55	70.00	69.00	2,764	15,375
Jan	72.85	+0.55	72.90	72.15	391	6,568
Mar	75.80	+0.55	75.90	75.30	478	4,439
May	78.65	+0.60	78.50	78.25	73	1,184
Jul	81.30	+0.60	80.85	80.85	78	552
Total					6,648	34,525

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 27	Aug 26	month ago	year ago
1908.7	1897.6	1934.2	1952.1

■ CRB Futures (Base: 1967 = 100)

Aug 26	Aug 23	month ago	year ago
237.69	237.54		

■ GSCI Spot (Base: 1970 = 100)

Aug 26	Aug 23	month ago	year ago
190.92	191.03	189.45	199.49

■ LME WAREHOUSE STOCKS (tonnes)

Aluminium	+10,175	to	691,875
Aluminium alloy	+200	to	54,500
Copper	+100	to	273,200
Lead	-150	to	117,725
Nickel	-204	to	58,686
Zinc	-1,725	to	379,050
Tin	-120	to	10,655

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	67.625	-1.350	68.850	67.600	6,079	47,898
Dec	69.300	-1.175	70.350	69.250	2,363	23,858
Feb	72.050	-0.750	72.750	71.925	1,147	12,041
Apr	74.025	-0.600	74.475	74.000	673	5,480
Jun	70.700	-0.700	71.225	70.650	870	4,193
Aug	70.350	-0.550	70.800	70.350	210	855
Total					11,342	94,310

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	69.325	-0.025	69.750	68.900	5,243	17,757
Dec	66.375	-0.225	66.830	66.200	2,620	6,825
Feb	65.375	-0.350	65.850	65.250	586	3,100
Apr	62.025	-0.175	62.500	61.800	227	1,642
Jun	66.700	-0.425	66.700	66.500	38	880
Jul	65.125	-0.225	65.450	65.300	28	878
Total					8,747	31,210

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	66.075	-1.975	67.650	65.500	1,677	3,777
Mar	66.025	-2.075	67.600	65.600	112	315
May	66.400	-2.950	68.900	66.900	48	59
Jul	68.000	-3.000	68.350	68.350	2	19
Aug	65.000	-1.000	67.900	67.900	-	-
Total					2,082	4,284

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1650	48	83	49	82
1700	27	62	62	110
1750	20	45	114	142
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
2150	100	114	36	100
2200	71	92	56	125
2250	48	72	83	155
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	117	154	57	96
1550	93	129	83	121
1600	73	107	113	149
■ COCOA LIFFE	Dec	Mar	Dec	Mar
1050	99	134	29	47
1075	84	119	39	57
1100	70	105	50	68
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	-	-	22	-
1850	27	63	48	-
1900	16	49	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$17.59-7.71w	+0.480
Brent Blend (dated)	$17.06-8.08	+0.175
Brent Blend (Oct)	$18.46-8.48	+0.215
W.T.I.	$19.81-9.83w	+0.260

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$217-221	-7
Gas Oil	$162-163	
Heavy Fuel Oil	$89-91	
Naphtha	$185-186	
Jet fuel	$180-181	
Diesel	$186-188	

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.10-9.20	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

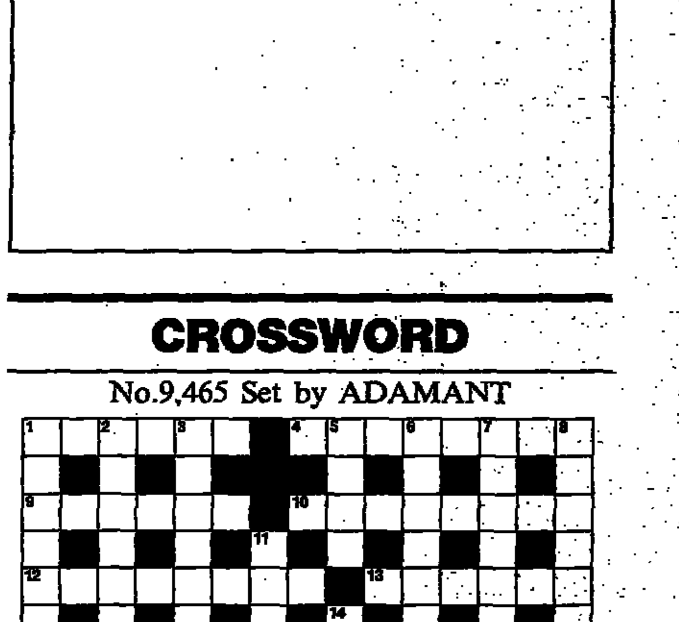
Gold (per troy oz)‡	$324.75	-0.50
Silver (per troy oz)‡	465.50c	-1.50
Platinum (per troy oz.)	$406.00	
Palladium (per troy oz.)	$186.50	-10.50
Copper	105.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.70r	
Tin (New York)	256.5	+1.00
Cattle (live weight)	99.45p	-0.85*
Sheep (live weight)	113.10p	+4.59*
Pigs (live weight)†	88.60p	-0.26*
Lon. day sugar (raw)	$285.40	
Lon. day sugar (wte)	$350.00	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)¶	59.25p	+0.25
Rubber (Nov)¶	59.25p	+0.25
Rubber (KL RSS No1)	253.5z	
Coconut Oil (Phil)§	580.0y	+7.5
Palm Oil (Malay.)§	492.5z	
Copra (Phil)§	$390.0y	
Soyabeans (US)	214.0	
Cotton Outlook'A' index	81.05c	
Wooltops (64s Super)	429p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ¶London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 1,777 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,465 Set by ADAMANT



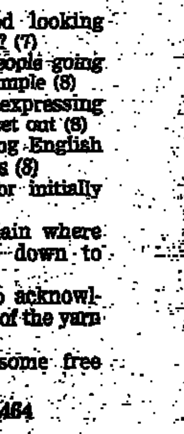
ACROSS

1 Lack of woven thread (6)
4 The last month is, I've concluded, crucial (8)
9 Plan to intrigue (6)
10 Contracted to span the gap in a day (8)
12 In an odd way, the peacekeepers still left the final treaty (8)
13 Rush job (6)
15 Drink that can become better if tuberculin tested? (4)
16 Guaranteed certain money when starting (7)
20 The king looked round and twinkled (7)
21 Smallest bit to appear in the morning (4)
25 Assimilate the sailor's world (6)
26 Glass tubes damaged, but reset (8)
28 Provide safe passage for girl with a fetching exterior (8)
29 Came in animatedly for the entertainment (6)
30 Said to have changed on its return, getting cold and perverted (8)
31 Worthless attempt to conceal the remains (6)

DOWN

1 Upsets the girl and bursts out (8)
2 Sportswomen maybe have the least make-up (8)
3 Moderate ill humour (6)
5 Goes out, but could be back, extremely bibulous (4)
6 I finished the game without it being copied (8)
7 Detailed English version of house fires (6)
8 Last bear (6)
11 Shutting down university run in the cathedral precinct (7)
14 Desks for good looking men-about-town? (7)
17 Supporters of people going hunting, for example (8)
18 Has difficulty expressing what the trust set out (8)
19 Messenger giving English girl a lot of lines (8)
22 Has a regard for initially soft touch (6)
23 Place in the main where one's to come down to earth (6)
24 One refusing to acknowledge the weight of the yarn (6)
27 The case for some free tuition (4)

Solution 9,464



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Scottish Value Management (Ireland) Ltd (u)
St Stephen's Green, Dublin 2

	Selling Price	Buying Price	+ or -	Yield Gross
UK Growth	£2.95	3.08	—	-
European Growth	£3.56	3 72	—	-
Broker Value	£1.3728		—	-
Relative Value H	£1.0327		—	-

Calpius Fund

NAV	$117 10		+1.10	-

Capital Vision Fund Plc

NAV	$3.24		-0.13	-

Chemical Ireland Fund Administrators Ltd

Nikko East Asia Class A	$11.8075			-
Nikko East Asia Class B	$11.5577			-
Taj Performance	$8.84		—	-

CIII Investment Fund (Ireland)

CIII Korea Equity	$8.94		-0.04	-

Singer & Friedlander Inv Funds Ltd (u)
21 New Street, Bishopsgate, EC2M 4HR 0171-626 6236

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity Income	4½	104.87		+0.62	4.57
UK Equity Income	4½	DM3.05		+0.02	4.57
UK Equity Income	4½	$1 69		—	4.57
UK Equity Income	4½	Pta257.8		+1.70	4.57
UK Equity Income	4½	FFr10.25		+0.08	4.57
Sterling Reserve	0	101.83		+0.02	5.02
Deutschmark Reserve	0	103.05		-0.29	3.88
Dollar Reserve	0				-
Corporate Income	4½	100.87		+0.46	5.79
Corporate Income	4½	DM2.91		+0.01	5.79

Citizens Investment Trust Mngt Company
CITC Select Fund Plc

	Selling Price	Buying Price	+ or -	Yield Gross
Auto Shares	$8.19		—	-
Chemical Shares	$5.04		—	-
Electron Shares	$5.64		—	-
Finance Shares	$8.97		—	-
Steel Shares	$4.34		—	-
Telecom Shares	$10.89		—	-

CoreStates Fund Management (Ireland) Ltd

CoreFund Sterling Cash	£1.000		—	7.06

Daiwa Europe Fund Mgrs Ireland Ltd

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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American Phoenix Investment Portfolios (u)

Foreign & Colonial Portfolios Fd Sicav(u)

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

TCW Luxembourg Funds

Finsacco International Ltd

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Jul 31	$20.69		—	-

Xeryus Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Xeryus Portfolio	$1000		—	-

Xiphias International Investment Fd Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Xiphias Global Growth	$12.27		—	-
Xiphias Intl ECU Acc	Ecu1.9400		—	-

Zanett Lombardier Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Jul 31	$241.36		—	-

Zulauf Investment Management AG

	Selling Price	Buying Price	+ or -	Yield Gross
European Focus Aug 22	DM184.881		—	-

Zweig-DiMenna International Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Jul 31	$18821		—	-

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland/Irish Department of Enterprise and Employment
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price
Buying price - Offer or issue price.
OEIC - Open Ended Investment Company
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols

(✱) 0001 to 1100 hours
(‡) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(♦) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital
H Historic pricing F - Forward pricing
h Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
● Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
♦ Offered price includes all expenses except agent's commission.
z Previous day's price.
§§ Guernsey gross.
♦ Yield before Jersey tax
† Ex-subdivision. xd - Ex-dividend.
& Only available to charitable bodies
⊕ Yield column shows annualised rates of NAV increase

The fund prices published in this edition are also available at the Financial Times' web site, http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅞	----	*£27⅞	£20¼	2,091	2.7	ϕ
Barlow	♣†	£7½	----	£8⅞	£5¼	1,499	2.0	15.5
Gold Flds Prop R	†	144	----	197	122	14.7	6.0	11.2
SA Brews		£18⅝	-⅛	£20⅞	£13¾	5,474	2.0	ϕ
Standard Bank		£28⅝	-⅞	£30	£21	3,442	1.9	ϕ
Tiger Oats	†	885	-52	1100	790	1,458	1.9	18.7
Tongaat-Hulett		764¼	+¼	799¼	675¼	761.9	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- ♯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
g Assumed dividend yield after rights issue.
h Assumed dividend yield, p/e ratio based on latest annual earnings
e Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1997
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1997-98
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend
xc ex scrip issue
xr ex rights
xa ex all
xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £6.45
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

Footsie clambers back above the 4,900 level

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK stocks shrugged aside Wall Street's fairly steep slide on Tuesday and a further early bout of weakness in US stocks yesterday, preferring instead to react to hints of a small buy-side trading programme.

Adding backbone to a market that has been shaken by worries about possible interest rate rises in Germany, the US and the UK, was a fresh frisson of takeover speculation.

This ran through the banks, insurances and leisure areas of the market, although the takeover stories were described as being of "relatively low quality as far as bid rumours go", according to one marketmaker.

He also pointed out that the gains were generally confined to the leading stocks. The second-liners and smallcap issues were virtually ignored throughout a session which saw turnover struggling to top 600m. At 6pm, overall volume reached 614.9m.

At the close, the FTSE 100 index posted a 20.6 gain at 4,906.9, halting a sequence of two successive downside performances.

The FTSE 250, on the other hand, never looked comfortable, quickly relinquishing an early small gain and ending the day 0.4 off at 4,649.6, having slipped to touch a session low of 4,647.1.

Similarly, the FTSE SmallCap index languished all day, closing 0.3 down at 2,252.8.

The day began with share prices on the slide and apparently friendless, with marketmakers, anxious to drum up business, clipping their initial prices in an attempt to coax buyers back into the market.

The day's economic news, global trade figures for June and non-EU trade numbers for July, played no real part in determining stock market trends, and had little impact on gilts which were marginally easier over the day.

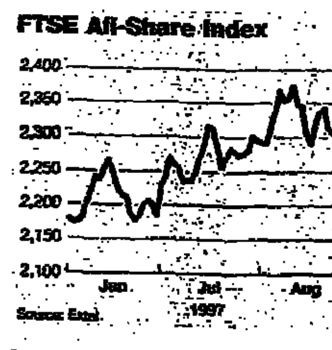
No real support was forthcoming for the leaders but sentiment in the market began to change in the late morning in response to the talk of a small buy programme encompassing the FTSE 100 stocks.

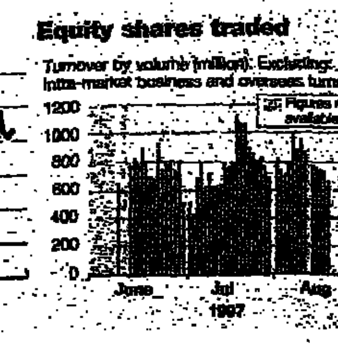
Thereafter, Footsie managed to cling on to its gains although it ended well below the session high of 4,920.3, up 34 points, recorded shortly after the US market kicked in.

The Dow Jones Industrial Average, which posted a 77-point decline overnight, resumed its downward path yesterday. A brief uptick was soon wiped out and replaced by a 50-points slide after a few minutes.

Global markets have been affected by concerns that German, US and, possibly, UK interest rates may be on the way up. Germany's Bundesbank Council meets on September 4, the UK's Monetary Policy Committee on September 11 and the US Federal Reserve's Open Market Committee on September 30.

The UK economics team at Merrill Lynch said in their latest note: "The pace of consumer demand growth is too fast for comfort and signals the need for, and likelihood of, further base rate increases. We are certainly not in the camp that believes that 7 per cent is the peak for base rates."





Indices and ratios

FTSE 100	4906.9	+20.6	FT 30	3146.5	+17.5
FTSE 250	4649.6	-0.4	FTSE Non-Fins p/e	19.80	19.78
FTSE 350	2367.2	+8.0	FTSE100 Fut Sep	4919.0	+19.0
FTSE All-Share	2313.32	+7.28	10 yr Gilt yield	7.15	7.13
FTSE All-Share yield	3.39	3.45	Long gilt/equity yld ratio	2.11	2.07

Best performing sectors

1 Electronic & Elect .... +1.3
2 Retailers: General .... +1.2
3 Media .... +1.0
4 Electricity .... +1.0
5 Transport .... +1.0

Worst performing sectors

1 Tobacco .... -1.1
2 Telecommunications .... -0.8
3 Health Care .... -0.6
4 Diversified Inds .... -0.5
5 Alcoholic Bevs .... -0.4

Double hit for Carlton

By Peter John and Martin Brice

A potential shift in the pain and gain for the UK's independent television companies saw **Carlton Communications** *drop 14½ at 495p.*

The media team at Merrill Lynch has pointed its pocket calculator at two areas – the impact of Channel 5 on the independents and the change in licence fees for the various regions.

Carlton loses on both counts. Merrill says that since the launch of Channel 5 in March, ITV viewing has fallen 7.3 per cent. Carlton, which owns Westcountry, Central and 20 per cent of Meridian and GMTV, as well as its London franchise, is one of the big casualties.

In addition, Carlton pulled off the media bid of the decade when it paid only £2,000 for its Central TV licence. In 1999, the licences are coming up for review and Merrill estimates Carlton will have to come up with another £18m.

Scottish is seen as losing about £8m but **United News & Media** could gain £24m. United also has 20 per cent of Channel 5, which Merrill calculates as worth 23p on the share price. Finally, Pearson's 24 per cent in Channel 5 is seen as worth 11p on the price of the owner of the Financial Times.

Scottish Media was slightly easier at 633½p and United was off a penny at 699½p. Pearson lifted 2 to 741p.

Rank Group was the star performer in the FTSE 100 with its shares advancing 14¼ to 360p. The stock was also helped by chat of a possible bid from Bass, up 15 to 827½p.

However, traders pointed out that the stock had fallen from 448p in June, and at these levels produced a yield in the region of 5 per cent.

Investor interest may also have been prompted by the planned unveiling by Rank of its Butlins holiday camp format next Wednesday, while the marginal weakening of the dollar against sterling was seen as positive for the company, which has North American earnings.

Traders said the stock was also helped by the company's buy-back programme. It started the 10 per cent buy-back earlier this month when the stock stood at 345p. It needs to buy about 41.4m more shares to complete the programme, and traders said the company was having difficulty buying the stock from institutions, which have seen the price of the shares fall from 448p in June.

Norwich Union bucked the sector ahead of the stock's expected entry into the FTSE-100. The Footsie steering committee meets on September 10 and is expected to nod the life insurance company into the blue-chip index.

Tracking funds, which aim to match the performance of the lead index and therefore need to secure appropriate weightings in its constituents, are still severely underweight in the stock.

It is estimated that the institutional holding represents about 50 per cent of the stock in issue and should be closer to 70 per cent. For a company with a capitalisation of £6.7bn that represents another £1.3bn pouring into the market.

Also, the shares have underperformed the sector recently as insurance specialists fret about the fundamentals. Norwich ended the day 10 higher at 345½p on turnover of 11m.

However, one analyst said: "The tracking funds are completely risk averse and all they are interested in is performing in line with the market. They are playing a deadly game and they can't get in too early in case the market runs away from them."

Abbey National lingered near the top of the Footsie league table in early trading as dealers positioned themselves against speculation that a bid might be imminent.

There had been mention of Lloyds TSB making a move on the bank. That was dismissed but the shares remained strong with brokers saying an offer was not out of the question in spite of Abbey's protested desire for independence. HSBC was also being mentioned as a possible partner. Abbey lifted a net 16½ to 839p while HSBC was steady at £21.11.

Dealers were also reviving speculation that Halifax was quietly on the prowl and that Prudential Corp might be on the menu. The story was not reflected in the share prices however. Halifax ended 3½ off at 714p while the Pru was only a penny firmer at 604p.

BT shares again brought grief for their owners, with a decline of 9 to 404¼p, to give the stock the second-biggest fall in the FTSE 100. They stood at 502p in July before the profits warning from merger partner MCI.

Volume yesterday was 34m, making the stock the most heavily traded.

NatWest Securities yesterday told clients: "BT appears to have won the day in its discussions with MCI." Bobby Phillips at the broker, which has an "add" stance on the stock, also said: "We are concerned that the climbdown by MCI reflects a more worrying trend on competition in both the local and long-distance markets."

Securicor had the second biggest fall in the FTSE 100, with a decline of 11½ to 264p after it said Edmund Hough, chief executive of its communications division, had resigned as a director and left the group.

British Borneo improved 14 to 473½p after the oil exploration group boosted its presence in the deep-water Gulf of Mexico with the purchase of a majority stake in the Allegheny field.

The company bought a 60 per cent stake in the gas development offshore Louisiana from Reading & Bates of the US for $37.5m. It also retained the option of paying $25m for the remaining 40 per cent of the field.

Enterprise rose 5 to 694½p but **Cairn Energy** fell back 2½ to 547½p on profit-taking following a recent rally prompted by a Merrill Lynch "buy" recommendation.

Whitbread was off 13½ to 795p after house broker HSBC James Capel was said to have been told the company's summer trading volumes were lower than last year, which was boosted by trade during the European football championships.

The weather during June and July was said to have depressed sales volumes.

The sentiment spread to similar stocks, with **Scottish & Newcastle** off 8½ to 723½p, **Greenalls** giving up 5½ to 480½p, and **Vaux Group** down 4½ to 284p.

However, a bullish trading statement saw the stock advance 9 to 376½p in later dealings.

Rexam rose 7½ to 302½p on a recent "buy" recommendation for the paper and packaging group from Credit Lyonnais Laing. The broker argued that Rexam's rating was too cheap given the potential starting to emerge at the company.

FT 30 INDEX

	Aug 27	Aug 26	Aug 22	Aug 21	Aug 20	Yr ago	*High	*Low
FT 30	3146.5	3129.0	3143.1	3183.6	3167.2	2838.9	3222.3	2668.8
Ord. div. yield	3.60	3.64	3.52	3.46	3.48	4.01	4.22	3.39
P/E ratio net	20.44	17.91	18.39	18.67	18.61	17.18	20.44	15.80
P/E ratio nil	20.16	17.73	18.20	18.48	18.42	17.02	20.16	15.71

FT 30 since compilation: high 3226.5 12/08/97, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3122.5	3127.6	3125.8	3128.1	3135.7	3140.4	3142.6	3148.5	3145.7	3151.6	3122.5

	Aug 27	Aug 26	Aug 22	Aug 21	Aug 20	Yr ago
SEAQ bargains	39,062	40,113	43,804	41,118	42,395	36,207
Equity turnover (£m)†	-	NA	NA	2425.6	2307.8	1637.0
Equity bargains†	-	NA	NA	40,854	41,357	42,821
Shares traded (ml)†	-	NA	NA	743.1	672.0	624.0

†Excluding intra-market and overseas turnover but including Crest turnover

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	602	Total Highs	39	Total contracts	16,761
Total Falls	695	Total Lows	59	Calls	8,369
Same	1,781			Puts	8,392

Aug 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4892.0	4919.0	+12.0	4953.0	4876.0	7426	69635
Dec	4954.0	4982.5	+12.5	4990.0	4948.5	137	7459
Mar	4990.0	5024.0	+8.0	5040.0	4990.0	145	1700

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4712.0	+0			0	9103

FTSE 100 INDEX OPTION (LIFFE) (*4905) £10 per full index point

	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P
Sep	219½	44½	182	58½	145	74½	114	96½	86	120½	64½	151	45	185½	31½	225
Oct	278½	82	234	96½	203	117½	173½	140	144	163	121	192	88	221½	77½	253
Nov	319½	112	286	128½	255½	149	226	170	196½	192	170½	218½	148	248	127½	278
Dec	359½	132½	330	152	297½	172	267½	193	236	215	211½	241	190	270	167	300
Jun†			479½	229½			418½	268			365	315			318	357½

Calls 2,046 (26/8: 1,653) Puts 1,657 (26/8: 1,619)

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P
Sep	232	39½	193½	50	158	64½	126	82½	98	104	74	130	54½	160	38	193
Oct	270½	82	234	96½	203	117½	173½	140	144	163	121	192	88	221½	77½	253
Nov	340	106½	306½	121½	273	137½	241½	155	212½	175	184½	196½	160½	221	138	248
Dec	374	122½			308	154½			249½	192½			198	237½		
Mar†	456½	170			394	203½			336½	242			284	285		

Calls 2,809 (26/8: 3,438) Puts 3,870 (26/8: 3,514) * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	398	Antofagasta Uts	401½		-	-	-	-
*	F.P.	7.94	80½	70½	†Blakes Clothing	79½		L1.45	5.1	2.3	8.7
-	F.P.	84.8	109¼	107	Bristol & W Prf	108		-	-	-	-
§100	F.P.	25.9	145	109½	Cammell Laird	136		L3.8	2.1	3.5	13.1
-	F.P.	-	116	114	EMI B	115		Z2.75	-	3.1	-
*	F.P.	3.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	277.7	230	162½	Galen Hldgs	229	+15½	L0.9	5.7	0.5	36.9
§125	F.P.	5.66	135	95½	†Helicon Publsg	96½	-1½	-	-	-	-
§	F.P.	458.5	396½	332½	Ionica	332½	-16½	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Lsis	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	76½	†LEPCO	78½		-	-	-	-
§80	F.P.	4.12	98	92½	†Landround	92½	-2	3.3	1.7	4.5	16.3
§173	F.P.	42.9	217½	185½	Metroline	199½	-1	R5.6	2.8	3.6	11.9
100	F.P.	32.7	112½	99½	Reabourne Merlin	108½		-	-	-	-
§100	F.P.	7.99	120½	105½	†SBS Group	112½	+2½	L2.4	2.0	2.7	19.8
-	F.P.	-	38½	30	Severn Trent B	33½		-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	53½		-	-	-	-
*	F.P.	13.4	25	77½	†Style Holdings	35	+1½	W1.5	4.4	2.2	11.4
-	F.P.	-	22¾	19½	Thorn B	20½		-	-	-	-
-	F.P.	77.5	63½	50	Vigien Tech	63½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	434	489	+3½
AMVESCAP	1,100	371½	+8
ASDA Group†	7,300	147¼	-1¾
Abbey National†	3,000	839	+16½
Airtours	220	1177½	-3
Albert Fisher	1,800	39	+¼
Alliance & Leicester†	1,700	629½	+2½
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BBA	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BG†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BT†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Booker	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Britannic	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Biotech	[illegible]	[illegible]	[illegible]
British Energy	[illegible]	[illegible]	[illegible]
British Land†	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton	[illegible]	[illegible]	[illegible]
Cable & Wire†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Centrica†	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
EMAP	[illegible]	[illegible]	[illegible]
EMI†	[illegible]	[illegible]	[illegible]
Electrocomps	[illegible]	[illegible]	[illegible]
Energy Group†	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Halifax†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays†	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
Hyder	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Imperial Tobacco†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
Lonrho	[illegible]	[illegible]	[illegible]
LucasVarity†	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Man†	[illegible]	[illegible]	[illegible]
Morrison (Wm.)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next†	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Norwich Union	[illegible]	[illegible]	[illegible]
Orange†	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Provident Financial	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack†	[illegible]	[illegible]	[illegible]
Rank Group†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil Initial†	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rio Tinto†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal & Sun Allce†	[illegible]	[illegible]	[illegible]
Royal Bk Scotland†	[illegible]	[illegible]	[illegible]
Safeway†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders†	[illegible]	[illegible]	[illegible]
Scottish & New.†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elect.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Securicor	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Ests	[illegible]	[illegible]	[illegible]
Smith (W.H.)	[illegible]	[illegible]	[illegible]
Smith & Nephew	[illegible]	[illegible]	[illegible]
SmKl Beecham†	[illegible]	[illegible]	[illegible]
Smiths Inds.†	[illegible]	[illegible]	[illegible]
Southern Elect.	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Stagecoach	[illegible]	[illegible]	[illegible]
Standard Chartd.†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
TeleWest Comms	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water†	[illegible]	[illegible]	[illegible]
Thistle Hotels	[illegible]	[illegible]	[illegible]
Thorn	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Assurance	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media†	[illegible]	[illegible]	[illegible]
United Utilities†	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: [illegible]

FTSE GOLD MINES INDEX

	Aug 26	% chg on day	Aug 25	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1448.82	+0.2	1446.77	2058.51	2.00	-	2061.05	1270.14
Regional Indices								
Africa (14)	1455.96	+0.9	1442.80	2592.70	5.27	24.12	2695.88	1324.06
Australasia (6)	1603.04	-0.1	1604.34	2441.40	1.60	18.83	2441.40	1336.10
North America (11)	1442.13	+0.0	1441.74	1854.46	0.97	73.26	1854.46	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 27	Day's chge%	Aug 26	Aug 22	Aug 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4906.9	+0.4	4886.3	4901.1	4978.0	3918.7	3.37	2.02	18.36	115.99	2106.00
FTSE 250	4649.6	....	4650.0	4658.7	4688.0	4437.8	3.57	1.60	21.84	101.45	1948.84
FTSE 250 ex IT	4660.7	....	4660.9	4668.8	4693.8	4474.6	3.71	1.63	20.63	104.63	1959.30
FTSE 350	2367.2	+0.3	2359.2	2365.8	2398.7	1960.5	3.41	1.94	18.94	55.15	2074.39
FTSE 350 ex IT	2368.2	+0.3	2360.0	2366.8	2399.5	-	3.43	1.95	18.70	23.11	1064.33
FTSE 350 Higher Yield	2274.4	+0.1	2271.1	2275.2	2295.2	1871.2	4.61	1.76	15.43	66.65	1692.05
FTSE 350 Lower Yield	2462.2	+0.5	2450.1	2459.0	2503.3	2057.2	2.43	2.21	23.23	43.51	1782.84
FTSE SmallCap	2252.75	....	2253.12	2253.44	2258.99	2162.78	3.19	1.74	22.59	44.58	1919.21
FTSE SmallCap ex IT	2224.94	....	2224.36	2223.32	2224.73	2154.46	3.44	1.82	19.97	47.89	1912.26
FTSE All-Share	2313.32	+0.3	2306.04	2312.11	2342.50	1936.24	3.39	1.92	19.14	53.35	2057.11
FTSE All-Share ex IT	2314.39	+0.3	2306.84	2312.98	2343.30	-	3.43	1.94	18.77	22.47	1058.66

FTSE Actuaries Industry Sectors

	Aug 27	Day's chge%	Aug 26	Aug 22	Aug 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4821.37	+0.3	4805.97	4816.31	4933.19	3684.37	3.19	1.94	20.16	98.75	2163.97
12 Extractive Industries(5)	4229.94	+0.4	4213.32	4213.86	4239.95	4296.67	3.72	2.38	14.10	104.80	1292.96
15 Oil, Integrated(3)	5101.72	+0.3	5086.23	5102.92	5246.55	3744.18	3.31	1.86	20.29	107.40	2355.56
16 Oil Exploration & Prod(12)	3803.52	+0.4	3789.15	3768.98	3803.32	2672.85	1.51	2.26	36.72	38.65	2330.71
20 GEN INDUSTRIALS(263)	2029.36	+0.2	2024.66	2029.02	2047.79	2055.06	3.93	1.76	18.07	49.11	1163.98
21 Building & Construction(35)	1378.89	-0.4	1383.90	1387.65	1394.07	1179.98	3.24	1.98	19.53	26.46	1200.65
22 Building Matls & Merchs(30)	1847.33	-0.7	1849.39	1855.94	1879.31	1851.54	4.38	1.73	16.47	42.64	976.82
23 Chemicals(26)	2666.12	+0.1	2662.55	2657.37	2705.67	2415.60	3.83	1.63	20.05	71.65	1333.50
24 Diversified Industrials(15)	1402.66	-0.5	1410.27	1417.45	1432.68	1542.34	5.19	2.01	11.98	46.48	837.18
25 Electronic & Elect Equip(37)	2160.26	+1.3	2131.73	2135.60	2172.17	2366.52	3.80	1.62	20.27	49.05	1174.76
26 Engineering(66)	2732.09	+0.3	2724.04	2727.94	2735.87	2514.55	3.09	2.34	17.31	52.44	1724.99
27 Engineering, Vehicles(13)	3043.03	+0.5	3027.97	3043.69	3058.02	3175.13	3.33	‡	‡	65.84	1644.00
28 Paper, Pckg & Printing(27)	2168.73	+0.9	2148.88	2153.13	2158.18	2723.46	4.87	1.78	14.40	63.44	950.61
29 Textiles & Apparel(14)	1023.90	+0.1	1022.95	1024.78	1024.08	1260.01	6.83	0.99	18.52	41.67	673.80
30 CONSUMER GOODS(84)	4504.96	....	4506.74	4505.01	4607.63	3670.73	3.40	1.83	20.13	114.41	1749.65
32 Alcoholic Beverages(7)	3249.47	-0.4	3263.90	3270.06	3306.88	2915.90	3.88	1.99	16.22	90.96	1240.73
33 Food Producers(25)	3037.20	-0.2	3043.69	3054.20	3105.16	2540.01	3.63	1.86	18.48	69.99	1440.08
34 Household Goods(17)	3182.24	+0.8	3156.66	3148.94	3176.19	2598.82	3.20	2.32	16.86	54.26	1308.49
36 Health Care(14)	2285.17	-0.6	2299.24	2283.32	2286.70	2018.85	2.60	1.61	29.81	38.49	1435.35
37 Pharmaceuticals(16)	7178.82	+0.4	7149.39	7184.22	7430.55	5507.94	2.59	1.73	27.91	153.36	2536.29
38 Tobacco(3)	4393.41	-1.1	4443.28	4309.43	4334.39	3786.48	6.41	1.81	10.79	225.73	1191.07
40 SERVICES(270)	2733.38	+0.6	2715.63	2721.21	2747.52	2589.23	2.85	1.99	21.34	53.22	1478.84
41 Distributors(30)	2812.39	-0.1	2813.81	2816.92	2865.81	2860.68	3.34	1.93	19.39	54.79	1076.97
42 Leisure & Hotels(31)	3263.56	+0.5	3246.50	3233.62	3244.71	3245.61	2.85	1.92	22.84	70.76	1812.66
43 Media(41)	4078.25	+1.0	4038.17	4060.65	4101.05	4442.65	2.47	1.94	26.08	79.61	1522.42
44 Retailers, Food(15)	2409.74	-0.3	2417.44	2418.55	2437.88	2030.30	3.45	2.26	16.03	53.26	1609.25
45 Retailers, General(53)	2244.08	+1.2	2216.64	2216.59	2239.61	2166.40	3.15	2.08	19.08	45.88	1339.94
47 Breweries, Pubs & Rest.(22)	3327.37	....	3326.43	3339.80	3386.22	3197.27	3.41	2.29	16.05	62.74	1684.21
48 Support Services(55)	3094.20	+0.2	3087.35	3098.19	3120.96	2482.26	1.69	2.59	28.53	30.19	2016.11
49 Transport(23)	2900.37	+1.0	2872.84	2882.98	2909.93	2403.19	3.46	1.23	29.31	61.92	1267.28
60 UTILITIES(31)	3091.20	....	3090.62	3126.84	3120.93	2368.92	4.66	1.45	18.55	76.08	1439.43
62 Electricity(9)	3470.98	+1.0	3436.88	3411.61	3444.07	2433.77	5.12	2.01	12.15	111.29	1972.22
64 Gas Distribution(2)	2370.28	+0.6	2356.82	2353.46	2348.41	1399.48	5.15	‡	‡	54.50	1942.06
66 Telecommunications(8)	2366.45	-0.8	2385.84	2461.03	2437.08	2009.13	3.80	1.55	20.66	44.69	1138.64
68 Water(12)	2884.90	+0.3	2874.96	2873.45	2870.80	2266.88	5.75	2.27	9.59	90.96	1727.50
69 NON-FINANCIALS(668)	2321.93	+0.3	2315.49	2322.44	2352.46	2039.59	3.51	1.80	19.80	52.10	1853.08
70 FINANCIALS(104)	4597.58	+0.5	4575.60	4582.94	4645.64	3149.60	3.18	2.43	16.16	119.84	2089.49
71 Banks, Retail(10)	7130.29	+0.7	7082.79	7099.32	7219.83	4504.18	2.93	2.55	16.75	183.00	2458.80
73 Insurance(16)	1830.85	....	1831.76	1842.39	1867.20	1497.21	4.74	2.89	9.12	73.86	1478.80
74 Life Assurance(7)	4904.32	+0.1	4899.46	4867.49	4912.47	3538.08	3.50	2.32	15.38	121.00	2142.22
77 Other Financial(28)	3368.77	+0.6	3348.70	3349.17	3374.34	2624.66	3.13	1.89	20.06	70.61	2013.10
79 Property(43)	1995.48	-0.2	2000.40	1993.37	1994.12	1697.27	3.28	1.32	28.79	36.51	1284.28
80 INVESTMENT TRUSTS(127)	3479.02	....	3480.59	3486.50	3536.27	3201.20	2.18	1.17	49.10	47.34	1249.83
89 FTSE All-Share(899)	2313.32	+0.3	2306.04	2312.11	2342.50	1936.24	3.39	1.92	19.14	53.35	2057.11
105 FTSE All-Share ex IT(772)	2314.39	+0.3	2306.84	2312.98	2343.30	-	3.43	1.94	18.77	22.47	1058.66
FTSE Fledgling	1253.63	+0.1	1252.42	1253.18	1255.54	1239.82	3.26	0.83	41.18	25.96	1361.15
FTSE Fledgling ex IT	1254.34	+0.2	1252.15	1252.73	1253.80	1252.13	3.63	0.93	37.18	28.53	1384.16
FTSE AIM	1028.1	....	1028.1	1027.8	1027.0	-	1.02	0.78	60.00†	4.86	943.35

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4869.5	4877.4	4876.7	4878.0	4894.8	4901.9	4900.0	4909.2	4904.9	4920.3	4869.5
FTSE 250	4648.7	4650.6	4649.6	4647.1	4649.0	4649.0	4649.6	4650.0	4660.1	4651.2	4647.1
FTSE 350	2352.6	2355.8	2355.3	2355.7	2362.4	2365.2	2364.5	2368.1	2366.5	2372.5	2362.6
FTSE SmallCap	2251.90	2251.99	2251.87	2252.07	2252.22	2252.27	2252.24	2252.89	2252.86	2252.98	2251.74
FTSE All-Share	2299.88	2302.87	2302.42	2302.78	2306.93	2311.47	2310.86	2314.18	2312.67	2318.18	2299.88

Time of FTSE 100 Day's high: 2:44 PM Day's low: 8:30 AM. FTSE 100 1997 High: 4906.9 (27/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 2:44 PM Day's low: 8:30 AM. FTSE All-Share 1997 High: 2313.32 (27/08/97) Low: [illegible]
Further information is available on http://www.ftse.com.

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Deletion: St James Beech Hotel (FTSE Fledgling) (26.8.97).

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 27 / Sch)

BELGIUM/LUXEMBOURG (Aug 27 / Frs.)

CZECH REP (Aug 27 / Korunas)

DENMARK (Aug 27 / Kr)

FINLAND (Aug 27 / Mkk)

FRANCE (Aug 27 / Frs.)

GERMANY (Aug 27 / Dm.)

GREECE (Aug 27 / Drachma)

ITALY (Aug 27 / Lire)

NETHERLANDS (Aug 27 / Fls.)

NORWAY (Aug 27 / Kroner)

POLAND (Aug 27 / Zloty)

PORTUGAL (Aug 27 / Escudo)

SPAIN (Aug 27 / Pts.)

SWEDEN (Aug 27 / Kronor)

SWITZERLAND (Aug 27 / Frs.)

TURKEY (Aug 27 / Tk Lira)

PACIFIC

JAPAN (Aug 27 / Yen)

HONG KONG (Aug 27 / H.K.$)

INDONESIA (Aug 27 / Rupiah)

MALAYSIA (Aug 27 / MYR)

NEW ZEALAND (Aug 27 / NZ $)

SINGAPORE (Aug 27 / S$)

AUSTRALIA (Aug 27 / Aust$)

SOUTH KOREA (Aug 27 / Won)

TAIWAN (Aug 27 / TW $)

THAILAND (Aug 27 / Baht)

AFRICA

SOUTH AFRICA (Aug 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 27 / Can $) 4 pm close

MONTREAL (Aug 27 / Can $) 4 pm close

INDICES

	Aug 27	Aug 26	Aug 25	1997 High		1997 Low	
Argentina							
General(29/12/77)	(u)	24520.84	24487.77	26817.88	5/8	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2626.5	2626.3	2637.1	2745.90	2/7	2292.20	1/4
All Mining(1/1/80)	831.4	832.5	834.6	987.18	24/2	824.88	19/8
Austria							
Credit Aktien(30/12/84)	445.26	438.89	442.38	488.82	1/8	374.40	9/1
Traded Index(2/1/91)	1354.65	1331.29	1346.69	1480.48	31/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2341.02	2341.82	2360.84	2821.90	28/7	1871.06	2/1
Brazil							
Bovespa(29/12/83)	(u)	11626.0	11422.0	13617.00	8/7	8865.60	2/1
Canada							
Metals Minls♦(1975)	(u)	5100.35	5168.55	5881.75	10/3	4946.95	11/4
Composite♦(1975)	(u)	6697.90	6732.90	6946.10	7/8	5579.30	14/4
Portfolio§§(4/1/83)	(u)	3348.34	3373.10	3504.53	7/8	2846.02	11/4
Chile							
IGPA Gen♦(31/12/80)	(u)	5543.70	5358.03	5898.71	4/7	4912.42	2/1
Denmark							
CopenhagenSE(3/1/83)	825.07	827.31	831.13	888.28	17/7	470.14	2/1
Finland							
HEX General(28/12/90)	3403.11	3380.08	3428.37	3885.88	7/8	2483.28	2/1
France							
SBF 250(31/12/90)	1887.38	1885.95	1904.04	2003.48	31/7	1533.19	2/1
CAC 40(31/12/87)	2871.70	2868.26	2898.57	3075.67	31/7	2258.97	2/1
Germany							
FAZ Aktien(31/12/58)	1130.49	1334.80	1388.42	1481.44	31/7	988.21	2/1
Commerzbank(1/12/53)	3890.0	3869.8	3957.4	4308.70	31/7	2876.80	2/1
DAX‡(30/12/87)	3995.56	3959.33	4071.79	4438.93	31/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1541.99	1565.96	1584.89	1727.70	23/5	954.84	2/1
Hong Kong							
Hang Seng(31/7/64)	15333.95	15547.22	15598.88	16673.27	7/8	12055.17	3/4
India							
BSE Sens.(1979)	4087.56	4107.24	(c)	4548.02	5/8	3225.24	2/1
Indonesia							
Jakarta Comp.(10/8/82)	555.48	554.23	542.64	740.83	8/7	542.64	25/8
Ireland							
ISEQ Overall(4/1/88)	3590.87	3570.70†	3597.58	3725.89	8/8	2725.87	2/1
Italy							
Banca Comm Ital(1972)	888.64	884.91	891.09	959.18	23/7	642.55	2/1
MIB General(2/1/87)	1336.0	1331.0	1340.0	1442.80	23/7	991.00	2/1
Japan							
Nikkei 225(16/5/49)	18441.94	18814.98	18656.17	20681.07	16/6	17303.65	10/1
Nikkei 300(1/10/82)	281.84	286.72	284.41	303.71	28/7	261.04	27/1
Topix(4/1/68)	1442.78	1465.91	1454.06	1560.28	26/6	1320.82	10/4
2nd Section(4/1/68)	1622.65	1634.51	1641.21	1848.25	30/6	1518.30	15/4
Malaysia							
KLSE Comp.(4/4/86)	847.92	856.00	883.96	1271.57	25/2	847.92	27/8
Mexico							
IPC(Nov 1978)	(u)	4918.51	4895.18	5212.89	6/8	3359.48	2/1
Netherland							
CBS TtlRtnGen(End 83)	1070.8	1070.7	1090.1	1184.80	7/8	730.80	2/1
CBS All Shr(End 83)	617.5	617.6	629.1	684.40	7/8	429.00	2/1
New Zealand							
Cap. 40(1/7/86)	2473.53	2488.56	2498.11	2576.52	30/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2081.14	2080.22	2096.00	2217.38	7/8	1539.03	2/1
Philippines							
Manila Comp(2/1/85)	2284.03	2300.82	2354.03	3447.60	3/2	2284.03	27/8
Portugal							
BVL 30(4/1/93)	3449.85	3488.86	3526.37	3803.85	7/8	2186.57	2/1
Singapore							
SES All-S'pore(2/4/75)	477.71	482.74	482.07	573.03	17/2	477.71	27/8
South Africa							
JSE Gold(28/9/78)	1030.7♥	1039.5	1026.4	1686.10	27/2	983.90	7/7
JSE Ind.(28/9/78)	9105.2♥	9068.7	9104.4	9314.20	7/8	7859.50	2/1
South Korea							
KoreaCompEx**(4/1/80)	730.28	734.03	741.76	792.29	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	578.56	590.11	585.84	828.18	7/7	434.54	2/1
Sweden							
AffarsvardsGen(1/2/37)	3099.8	3102.0	3122.6	3315.80	7/8	2378.50	2/1
Switzerland							
SMI Index(1/7/88)	5409.6	5363.3	5473.9	6012.80	8/7	3822.90	7/1
SPI General(1/9/87)	3489.28	3467.70	3531.35	3768.79	8/7	2508.22	6/1
Taiwan							
WeightedPr.**(30/6/66)	10050.67	10116.84	10011.47	10116.84	26/8	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	523.74	525.49	529.51	858.97	22/1	484.77	19/6
Turkey							
IMKB Nat 100(1986)	1925.00	1925.00	1951.00	2050.00	7/8	886.00	2/1
WORLD							
MS Capital Int$(1/1/70)	929.9*	935.1	933.9	981.80	31/7	784.50	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2573.20	2579.39	(c)	2794.80	7/8	1803.80	2/1
FTSE E 100(26/6/90)	2184.76	2172.86	2205.24	2355.95	7/8	1582.98	2/1
HSBC JC Drgn(31/12/88)	(u)	400.45	404.28	434.83	5/8	381.63	29/4
ING Brngs Emrg(7/1/92)	(u)	180.33	180.48	196.81	9/7	159.74	3/1

INDEX FUTURES

■ CAC-40 (MATIF/MONEP) (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2850.0	2868.0	+7.0	2899.0	2837.5	25,371	26,287
Sep	2854.0	2875.0	+7.0	2905.0	2845.0	12,756	29,884
■ DAX							
Sep	3955.0	3995.0	+4.0	4050.0	3933.0	32,449	86,725
Dec	3975.5	4028.0	+2.5	4070.0	3989.5	763	4,747

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2485.00	2475.00	-8.00	2510.00	2464.00	6,702	18,684
Oct	2474.00	2509.00	+16.0	2509.00	2474.00	52	570
■ SOFFEX							
Sep	5381.0	5400.0	+40.00	5454.0	5328.0	7,389	26,079
Oct	-	5406.0	-	-	-	195	2,725

** Sat Aug 23: Taiwan Weighted Price 9965.42; Korea Comp Ex 742.58. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX – all 1,000; SMI - 1500; JSE Gold – 255.7; JSE 20 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp - 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 27 - 3992.03 -1.67.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Aug 26	Aug 25	Aug 22	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7782.22	7859.57	7887.91	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.83	103.86	103.87	104.70 (31/7)	101.08 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2912.66	2940.86	2937.02	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	232.37	231.79	231.35	249.85 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7891.62 (7974.08) Low 7734.61 (7791.75) (Theoretical♦)
Day's high 7860.73 (7944.12) Low 7770.61 (7833.09) (Actual♦)

Standard and Poors	Aug 26	Aug 25	Aug 22	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	913.02	920.16	923.54	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials♥	1073.79	1082.87	1086.94	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	104.80	105.44	105.93	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/8/74)
NYSE Comp.	475.38	478.03	478.93	487.00 (6/8)	389.47 (11/4)	487.00 (6/8/97)	4.64 (25/4/42)
Amex Comp.	647.30	646.85	643.83	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Comp	1591.30	1601.57	1588.69	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 22	Aug 15	Aug 8	Year ago
Dow Jones Ind. Div. Yield	1.66	1.69	1.61	2.21
	Aug 20	Aug 13	Aug 6	Year ago
S & P Ind. Div. yield	1.50	1.53	1.47	2.02
S & P Ind. P/E ratio	25.75	25.27	26.35	21.74

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Compaq	8,741,300	65½	-1¾
Republic Ind	5,877,500	25⅛	+1⅝
Philip Morris	5,181,700	45½	+½
Kmart	5,058,600	14⅝	...
Gen Elec	4,962,100	63¾	-⅝
Ford Motor	4,804,300	44¾	+⅝
Unisys	4,727,500	11⅛	+⅛
Pfizer	3,813,600	53⅞	-1¾
Amer Store	3,378,300	23⅞	-⅞
Warner Lamb	3,223,000	126½	-5½

■ TRADING ACTIVITY

● Volume (million)	Aug 26	Aug 25	Aug 22
New York SE	449.046	388.965	415.892
Amex	26.990	19.142	24.048
NASDAQ	677.843	578.170	641.982
NYSE			
Issues Traded	3,388	3,382	3,362
Rises	1,303	1,587	983
Falls	1,496	1,215	1,912
Unchanged	589	580	467
New Highs	117	136	57
New Lows	16	29	30

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	908.00	916.00	+9.00	916.00	910.00	59,710	181,954
Dec	921.00	926.00	+9.20	926.00	920.00	3,678	17,147

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	18620.0	18460.0	-300.0	18680.0	18370.0	24,538	164,395
Dec	18580.0	18390.0	-370.0	18650.0	18370.0	1,889	37,806

Open interest figures for previous day.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, August 27, 1997.

	Stocks Traded	Closing Prices	Change on day
NKK Corp	7.5m	181	-7
Sakura Bank	6.9m	725	-15
Nippon Steel	6.7m	298	-7
Mitsui Co	5.4m	1010	-40
Canon Inc	5.2m	3330	-60
NEC Corp	4.3m	1480	-50
Seven-Eleven Jpn	4.1m	8400	-130
Sumitomo Bank	4.0m	1780	-50
Dai Nippon Print	3.9m	2680	-30
Fujitsu Ltd	3.8m	1550	-30

4 pm close August 27

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
38[illegible]	24¼	AAR x	0.48	1.4	25	163	33[illegible]	33[illegible]	33[illegible]	-⅛
53¾	33⅛	AMP r	1.04	2.0	42	3246	51[illegible]	50¾	51[illegible]	+[illegible]
[illegible]	78¼	AMR			8	3637	105⅝	103⅞	104¼	-1¼
37[illegible]	23½	ASA	1.30	4.0	20	55	30⅜	30¼	30¼	-⅛
[illegible]	49¾	Abbott	1.08	1.8	24	11395	60[illegible]	59[illegible]	60¼	+[illegible]
20½	14¼	AcMe	0.40	2.2	9	179	18[illegible]	18⅛	18⅛	-[illegible]
25	17⅞	ABM Ind	0.40	1.5	22	47	24½	24[illegible]	24[illegible]	-[illegible]
24⅛	17¾	Acpinceln			11	552	22	21[illegible]	22	+[illegible]
67¼	56⅛	ACE Ltd	0.88	1.0	11	1089	85	84	84¼	-⅜
10¾	10	ACM Gvt In	0.90	8.5	11	428	10[illegible]	10[illegible]	10[illegible]	+[illegible]
8	7	ACM GvOpp	0.63	8.2		25	7¾	7[illegible]	7[illegible]	
10[illegible]	9¼	ACM Man	0.90	8.9		157	10[illegible]	10	10[illegible]	+[illegible]
10½	6½	Acme Elect				55	6[illegible]	6[illegible]	6¼	
20	13	Acme Mts				214	13[illegible]	13[illegible]	13⅝	-¼
22[illegible]	14	ACNielsen			41	2502	u22¾	22[illegible]	22⅝	+½
29¾	19⅛	Acuson				918	27[illegible]	27	27[illegible]	
24⅝	19⅜	Adams Expr x	0.55	2.3	1	528	23¾	23[illegible]	23[illegible]	+⅛
48½	24⅞	AdvMic				7680	40	38[illegible]	39[illegible]	-[illegible]
27½	10⅝	Advest Grp	0.12	0.5	18	100	23[illegible]	22⅝	23[illegible]	+⅜
18[illegible]	11½	Advo Inc			17	61	18	17[illegible]	18	+[illegible]
78⅞	61½	Aegon$	1.31	1.7	21	2037	76⅛	75[illegible]	75½	-¼
9¼	3⅞	AerBx				1026	8[illegible]	8⅛	8[illegible]	-⅛
57½	33	Aero-V x	0.80	1.4	19	852	56½	56	56	-[illegible]

Continued on next page

NYSE PRICES

4 pm close August 27

Continued from previous page

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
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AMEX PRICES

4 pm close August 27

NASDAQ NATIONAL MARKET

4 pm close August 27

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Labone x	0.72	43	199	16⅛	15½	16⅛	+⅝
Ladd Furn		21	49	15$\frac{11}{16}$	15½	15½	-$\frac{3}{16}$
Lam Rsch			14435	62⅜	60⅜	61¼	-$\frac{7}{16}$
Lancaster	0.72	17	415	51½	50	50¾	+¼
Lance ♣	0.96	23	497	21¼	20⅞	21¼	+⅛
Rainbow		14	245	18½	17⅛	18⅝	+¼
Rallys			432	2$\frac{1}{16}$	1$\frac{15}{16}$	2	+$\frac{1}{16}$
Raymond	0.25	16	70	32⅞	32⅞	32⅞	
RCSB Fin	0.60	17	354	47¾	47⅛	47⅜	
Read-Rite			2831463	30⅛	28½	28$\frac{11}{16}$	-$\frac{5}{16}$
Recoton		19	260	13⅝	13⅛	13⅛	-½
Xoma Corp			2037	6$\frac{5}{16}$	6⅜	6$\frac{5}{16}$	
Yahoo			4711	56¾	54¼	56$\frac{11}{16}$	-$\frac{1}{16}$
Yellow			3535	u30	28⅞	29⅞	+⅞
York Rsch		18	932	6¼	6	6¼	+⅛
ZionsUtah	0.48	13	251	35¾	35¼	35⅜	+⅛

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international ambitions. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		65000	6.25	2.875
Artwork Systems	US$8.125	-0.125	30765	11.125	8.125
Chemunex	FFr10		45550	18	10
Deborner Holdings	GBP6.45	-0.05	1400	7.15	4.5
Dr Solomon's ADS	US$24.375	+0.5	0	28.375	16.875
EDAP TMS	US$7		0	9.125	6.9375
Esprit Telecom ADS	US$6.125	+0.125	0	12.25	5.375
Innogenetics	US$10.25		45042	12.75	10
Lernout & Hauspie	US$25.75	-0.625	[illegible]	34	25
Memory Int'l	US$10.75	-0.125	[illegible]	11.75	8.125
NTL	US$[illegible].375	-0.375	5	25.125	20.5
PolyTech	US$3.625		0	5.125	3.375
Schoeller-Bleckmann	Sch1463	-20	2200	1483	900
Tesco Int'l	Sch3150	-15	[illegible]	3355	3055
Eurocon Technology	US$5.25	+0.85	25000	5.25	3.73

Prices for 27/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web Site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 - 489 [illegible])

Dow extends losses into fifth session

AMERICAS

US stocks were weak at midsession as the Dow Jones Industrial Average extended its pullback to a fifth straight session, *writes John Labate in New York.*

All three leading market indices were off by early afternoon, with the Dow down 30.16 at 7,732.06. The broader Standard & Poor's 500 index lost 5.42 at 907.60 while the technology-weighted Nasdaq composite index fell 4.37 at 1,586.93.

Shares in small companies were the best performers, as the Russell 2000 index gained less than one point at 419.01.

Since last week, the Dow has lost nearly 3 per cent as the index has continued to sink further below the 8,000-point level.

Drug producers were mixed in a partial recovery from a sell-off earlier in the week. Leading the way higher were Warner-Lambert, up $1 at $127 and Abbott Laboratories, gaining $1/16 at $60. Bristol Myers Squibb lost ground, however, falling $1 1/16 at $74 3/4.

Tobacco company shares were mixed following the industry's $11.3bn settlement with Florida reached earlier this week. Shares in Philip Morris traded $1/4 lower at $45 while RJR Nabisco was unchanged at $35 11/16. Loews fell $1 3/16 at $97 3/4.

As bond yields held steady in anticipation of a Treasury auction later in the day, banking stocks moved only slightly lower. Shares in Chase Manhattan rose $5/16 at $113 1/16 but Wachovia lost $9/16 at $61 13/16 as federal regulators approved the bank's acquisition of Jefferson Bancshares. By early afternoon the benchmark 30-year bond was up 1/32 at 96 3/4, sending the yield lower at 6.631 per cent.

TORONTO slid lower at midday as the heavily weighted bank and gold sub-indices suffered and Wall Street declined. The TSE-300 composite index fell 40.19 to 6,657.72 in volume of 41.6m shares.

Eleven of Toronto's 14 sub-indices declined, led by the influential banking and gold sectors. Banks shed 1.2 per cent while the gold group was almost 1 per cent weaker.

LIMA recovered some of Tuesday's losses at midsession as mining shares recouped part of Tuesday's 4.4 per cent tumble.

At noon, the blue chip selective index was 31.06 points or 1.1 per cent higher at 2,851.24.

The hottest stock of the day was Minera Milpo, which recouped the 10 per cent it lost on Tuesday on an unconfirmed rumour that its joint venture partner, Phelps Dodge, had pulled out of the pact.

SANTIAGO edged higher in low volumes as investors remained confident enough in Chilean companies to keep the IPSA index above 130 points. The index rose 0.1 per cent to 130.09 at midsession. Telex-Chile gained 3.6 per cent to 870.00 pesos.

SOUTH AFRICA

South African shares ended slightly higher in nervous trade ahead of the release of a raft of economic data today. The all-share index gained 12.6 to 7,391.2 as the industrial index added 16.5 to 9,105.2. The thinly-traded gold index fell 9.2 to 1,030.7 as bullion eased slightly.

Volume was a relatively healthy R766m worth of shares as 187 stocks posted gains and 200 dropped. Optimism on lower interest rates persisted despite signals from the central bank that policy would remain tight.

Zurich calls halt to four-day slide

EUROPE

The firmer dollar brought out bargain hunters in ZURICH, which called a halt to its four-day slide and the SMI index picked up 46.3 to 5,409.6.

Novartis, sharply down on Tuesday, rebounded SFr19 to SFr2,182 ahead of first-half results due today. Among financials, CS Group and Winterthur, under pressure since announcing plans to merge on August 11, turned higher. CS Group rose SFr5.50 to SFr179.50 as it confirmed an earlier statement that first-half net profit rose 70 per cent. Winterthur added SFr25 to SFr1,305.

UBS, up SFr23 at SFr1,508 made a belated response to Tuesday's news that it would take over the German private bank, Schroeder Muenchmeyer Hengst.

Alusuisse recovered from Tuesday's 4.6 per cent fall, which followed first-half profits figures, and rebounded SFr34 to SFr1,331.

Against the trend, Nestlé fell SFr5 to SFr1,795 as Standard & Poor's MarketScope research group said the stock, an under-achiever during the 1990s, was likely to continue underperforming. Mr Matthew Windridge, head of research, believed Nestlé's strategy was flawed and investors would be disappointed that L'Oreal and the pharma businesses were regarded as core businesses which would not be sold.

FRANKFURT was flat as support from the firmer dollar was countered by interest rate nerves, the weaker bond markets and Wall Street's weak early performance. The Ibis-indicated Dax index edged 1.67 down at 3,992.03.

With little in the way of corporate news to excite the market, volumes were thin.

Lufthansa, scheduled to hold its interim news conference today, slipped 80 pfg to DM36.60 as investors took profit from the recent strong gains.

Deutsche Telekom, which announces first-half parent company figures tomorrow, was 86pfg lower at DM38.12.

PARIS closed slightly higher as the dollar's rebound overshadowed Wall Street's overnight fall and persistent concerns about interest rates. The CAC 40 ticked up 2.44 to 2,871.70, off a high of 2,899.47.

Promodes leapt 4 per cent, or FFr87, to FFr2,257 after brokerage Cheuvreux de Virieu revised upwards its earnings forecast. The broker said it expected the company to receive a boost from legislation barring French retailers from selling at a loss.

Rhône-Poulenc was down FFr2.80 at FFr233.40 after saying it sees its Rhone Poulenc Rorer unit taking a FFr100m charge on its full-year operating results from its blood plasma business, Centeon.

AMSTERDAM closed virtually unchanged after an erratic session as the market continued to fret about higher interest rates.

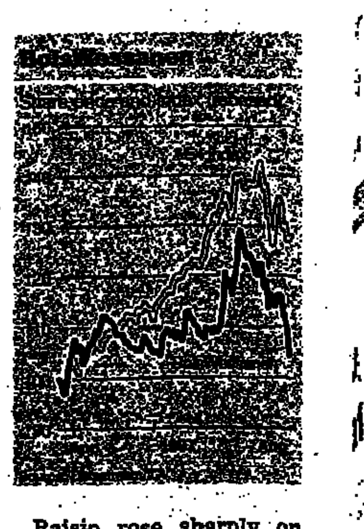
The AEX index added 3.89 to 907.33, off a low of 887.99 and an afternoon high of 911.94. The dollar's rebound dragged shares off their lows and kept the index above the 900 level.

BolsWessanen took a hammering after it reported first-half profits up 16 per cent but said income growth would slow over the rest of the year. The food and drinks group's shares initially plunged more than 10 per cent in active trade, but recovered some ground to end down almost 5 per cent, or Fl 1.90 at Fl 36.20.

Hagemeyer bucked the trend, rising Fl 3.50 or 3.5 per cent to Fl 105 after announcing robust first-half profits and the acquisition of two regional wholesalers.

VNU received a positive reaction to results released just after the close of the market on Tuesday, with the publisher's share gaining 50 cents to Fl 44.60.

HELSINKI rose as the market focused on international rather than domestic factors. The Hex index closed up 23.03 at 3,403.62 on turnover of FM532.62m.



Raisio rose sharply on news that it and the US company, Westvaco, were looking at jointly producing the sterol raw material for Raisio's cholesterol-reducing products. The food group's share added FM20 to FM570.

ATHENS staged a broad retreat as bank shares led the market lower on press reports that a forthcoming rights issue from National Bank would be 30-35 per cent lower than the market price of the share.

The Athens general index lost 23.97 to 1,41.98 as National Bank, a bellwether stock during this year's rally, dropped Dr1,500 to Dr34,300.

Written and edited by Michael Morgan and Greta Steyn

FTSE Actuaries Share Indices — European series

August 27 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total rate (Ecu)
FTSE Eurotop 300	941.21	+0.45	+4.19	2.41	0.00	942.49
FTSE Eurotop 100	2184.76	+0.55	+11.90	-	-	-
FTSE Eurotop 300 Regions						
300 UK	956.58	+0.88	+8.46	3.40	0.00	962.48
300 Ex-UK	932.58	+0.19	+1.75	1.84	0.00	932.85
300 Eurobloc	932.78	+0.02	+0.19	2.02	0.00	938.20
300 Ex-Eurobloc	947.52	+0.75	+7.08	2.89	0.00	951.17
FTSE Eurotop 300 Economic Groups						
Resources	967.81	+0.25	+2.44	2.86	0.00	969.29
General Industries	957.31	+0.29	+2.77	2.06	0.08	957.92
Consumer Goods	912.03	+0.44	+4.02	2.03	0.00	914.16
Services	947.73	+0.98	+9.16	2.34	0.00	949.27
Utilities	929.67	-0.03	-0.26	3.38	0.00	934.32
Financials	941.61	+0.58	+5.47	2.44	0.00	945.02

Base value 1000. More information on http://www.ftse.com. "FTSE" and "Footsie" are registered trade marks of the London Stock Exchange and The Financial Times. "Eurotop" is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Prague overcomes dual blows

Investor confidence in Prague is picking up after the double blows of the currency crisis in May and the severe flooding in early July, *writes Greta Steyn.*

The PX-50 index of top stocks has risen about 17 per cent from the year's low recorded on May 22 in the midst of an attack on the Czech crown. The broader RPIX index, has risen even more sharply from its low point, putting on more than 20 per cent. At yesterday's close, the PX-50 index was down 1.2 to 557.7.

Volumes have been thin, however, and analysts have cautioned against reading too much into the summer rebound. They say sustained investor interest will only return when the government starts introducing regulatory reforms and giving the capital markets more transparency.

"The PSE's performance has been lagging behind its neighbours in Hungary and Poland. This is mainly due to weak regulation and a lack of transparency which deters foreign investors," says Vlad Sobell, senior economist at Daiwa in London. Insider dealing is rife, he says, and there are insufficient disclosure requirements and inadequate punitive powers to deal with "widespread abuse and fraud".

The creation of a US-style Securities and Exchange Commission was likely, but until it was working foreign investors would remain sceptical.

One positive factor working for the market is the forecast of a stable currency. Mr Sobell says the crown should benefit from the Czech Republic's high yields.

Electricity company CEZ has been one of the top gainers in the recent spurt, with investors viewing the share as a cheap way into the illiquid Czech market.

The other market leader, SPT Telecom, has also had a good run. CEZ closed up Kcs22 at Kcs1,120 yesterday with traders saying the share has been undervalued from a long-term perspective.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Aug 22 1997	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: Aug 22 1997	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(247)	740.22	-1.2	+37.6			
Argentina	(30)	1,221.89	+0.2	+28.5	749,350.68	+0.2	+28.5
Brazil	(68)	547.45	-3.7	+38.1	2,235.40	-3.3	+45.1
Chile	(46)	790.97	-0.9	+27.5	1,317.46	-0.4	+24.9
Colombia[1]	(14)	864.18	-0.6	+39.7	1,811.79	+1.8	+60.6
Mexico	(63)	779.79	+0.8	+47.2	2,617.74	+1.1	+45.6
Peru[2]	(17)	241.59	-2.1	+22.8	391.22	-2.0	+25.2
Venezuela[3]	(9)	1,037.49	+0.6	+42.5	11,838.15	+0.9	+46.5
Asia	(708)	208.66	-1.3	-17.5			
China[4]	(27)	115.05	+7.8	+56.1	120.38	+7.8	+55.9
South Korea[5]	(156)	81.04	-3.3	+4.9	+85.88	-2.7	+11.7
Philippines	(42)	196.32	-0.3	-33.1	282.71	-0.3	-24.2
Taiwan, China[6]	(90)	196.45	+1.6	+28.2	211.85	+1.6	+33.9
India[7]	(77)	101.04	-7.0	+28.3	129.77	-5.8	+29.5
Indonesia[8]	(49)	97.13	+1.3	-23.9	141.14	-5.9	-13.8
Malaysia	(147)	221.99	-0.8	-34.1	227.36	-1.1	-27.6
Pakistan[9]	(28)	268.90	-7.5	+37.4	496.12	-7.5	+38.8
Sri Lanka[10]	(5)	141.13	-3.4	+48.4	181.60	-3.3	+54.3
Thailand	(87)	114.40	-17.0	-48.3	153.77	-11.5	-31.8
Euro/Mid East	(265)	156.96	-2.1	+16.9			
Czech Rep	(6)	62.69	+1.6	-10.6	+70.47	+1.7	+11.0
Egypt	(16)	96.63	+3.0	-	96.53	+3.0	-
Greece	(54)	347.06	-3.3	+43.2	671.22	-3.1	+65.7
Hungary[11]	(12)	298.38	-0.3	+51.7	705.19	-0.2	+84.3
Israel	(40)	127.20	-1.6	+27.2	138.23	-1.2	+38.2
Jordan	(7)	208.62	-0.5	+11.7	311.34	-0.5	+11.6
Morocco	(5)	124.76	+0.2	-	134.15	-0.1	-
Poland[12]	(31)	685.75	-0.4	-6.4	1,500.25	-0.8	+13.8
Portugal	(29)	195.35	-1.2	+33.7	247.55	-1.3	+58.7
Russia	(15)	187.11	-7.6	-	193.90	-7.4	-
Slovakia	(5)	94.93	+3.2	-	101.65	+3.8	-
South Africa[13]	(63)	223.90	-2.0	+7.3	217.00	-1.9	+7.7
Turkey[14]	(58)	212.26	-3.4	+42.7	16,539.23	-2.2	+117.0
Zimbabwe[15]	(5)	585.23	-10.5	+23.6	1,021.11	-9.4	+35.3
Composite	(1220)	317.48	-1.4	+7.6			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Economy worries send Tokyo down 2%

ASIA PACIFIC

Heavy selling of blue chips sent TOKYO down 2 per cent, amid renewed concern about Japan's economy, following remarks by a senior finance ministry official that the April sales tax increase had hit the economy harder than expected, *writes Gwen Robinson.*

The Nikkei 225 average tumbled 373.04 to 18,441.94, just off the day's low of 18,432.34 and after a high of 18,755.38. Trading began on a weak tone as investors sold leading high technology issues following the sector's decline in New York and a fall in Nikkei-225 index futures overnight in Chicago.

The market was rattled by negative remarks on the economy by Eisuke Sakakibara, vice finance minister for international affairs. It was further weakened by heavy selling of leading domestic demand-driven issues in the lead-up to the interim book-closing period at the end of September.

Traders said public fund managers bought on dips in the morning. But further falls in index futures in Singapore triggered waves of selling in the afternoon, as arbitrageurs dumped cash stocks.

Volume was little changed at an estimated 334m shares. Declines overwhelmed advances 834 to 244 with 158 unchanged. The Topix index of all first-section stocks fell 23.13 to 1,442.78 and the capital-weighted Nikkei 300 was down 5.08 at 281.64.

In London, the ISE/Nikkei 50 index rose 1.25 to 1,591.10.

Blue-chip exporters mostly lost ground. Among the exceptions was Advantest, which gained Y100 to Y10,700 on reports that it expected a 55 per cent rise in unconsolidated pre-tax profit in the current business year. Sony fell Y300 to Y10,800, Kyocera Y200 to Y8,000 and TDK Y240 to Y9,150.

Leading contractors fell while some low-priced construction stocks advanced. Daisue Construction rose Y9 to Y99 and Aoki Y7 to Y72.

Banks were sold. Sakura Bank fell Y15 to Y725, Fuji Bank Y30 to Y1,510 and Bank of Tokyo-Mitsubishi Y50 to Y2,200.

Large domestic demand-driven issues fell on cross trades by institutional investors who moved to realise latent profits on stock holdings ahead of their interim book closings. Shiseido fell Y30 to Y1,970, Kao Y20 to Y1,780 and Dai Nippon Printing Y30 to Y2,680. Japan Tobacco, however, gained Y18,000 to Y980,000 on reports of its plans to expand biotechnology operations. In Osaka, the OSE average slid 259.80 to 19,582.57 and volume rose to 89m shares.

Many regional markets were calmer after the sharp, currency-induced gyrations earlier in the week. KUALA LUMPUR turned back after a firmer start to close weaker against the backdrop of a sinking ringgit and uncertainties about Malaysia's trade balance in July, details of which are expected in the next few days. At the close, the composite index was down 8.08 to 847.92, slipping past support at 850.

News that the government would be lifting a M$100,000 property levy on foreign buyers of expensive properties did little to help sentiment. Analysts said scrapping the levy was unlikely to help the sector, which faces oversupply and higher interest rates.

SINGAPORE turned its attention to US dollar-denominated and small capitalisation issues on a day when currency fears again rattled nerves. Retail investors shunned Malaysian over-the-counter stocks and property shares struck fresh lows, in spite of Malaysia's decision to lift a M$100,000 levy on property purchases by foreigners. The Straits Times Industrials index ended down 9.24 at 1,915.96.

HONG KONG rebounded from sharp afternoon losses to close modestly weaker as the positive results of the territory's first land auction under Chinese rule and technical buying related to today's futures expiry supported the market. The Hang Seng index finished 13.27 weaker at 15,533.95, up from a low of 15,284.65.

Analysts noted that the sale of a site at Repulse Bay achieved a price near the upper limit of expectations but one unlikely to set the market ablaze.

SYDNEY was flat after a busy session in which the flood of profit reports continued. The All Ordinaries index was 0.2 higher at 2,626.5.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY AUGUST 26 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 25 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	230.88	-0.4	212.26	172.98	216.12	205.56	-0.5	3.74	231.89	214.32	173.92	219.44	206.54	243.87	200.17	206.65
Austria (25)	192.11	-0.1	176.62	143.94	179.82	179.74	-1.2	1.83	192.32	177.75	144.24	181.99	181.90	206.00	174.70	179.95
Belgium (28)	237.02	0.2	217.90	177.58	221.86	217.39	-0.8	3.14	236.59	218.67	177.44	223.88	219.19	261.11	213.92	218.69
Brazil (30)	277.25	2.1	254.89	207.73	259.52	557.48	2.1	1.32	271.62	251.04	203.71	257.03	545.96	322.44	172.54	172.54
Canada (126)	214.43	-0.7	197.14	160.66	200.72	216.34	-0.6	1.71	215.94	199.58	161.95	204.34	217.62	224.03	162.51	163.96
Denmark (32)	393.13	0.3	361.42	294.55	367.99	366.76	-0.7	1.49	391.78	362.08	293.82	370.72	369.51	421.25	317.47	319.41
Finland (26)	292.08	-0.7	268.52	218.84	273.40	330.89	-1.4	1.66	294.01	271.73	220.50	278.22	335.78	314.06	205.98	211.09
France (83)	224.19	0.0	206.11	167.97	209.85	213.44	-1.0	2.47	224.18	207.20	168.14	212.14	215.62	237.57	187.42	192.58
Germany (59)	217.85	-1.9	200.28	163.22	203.92	203.92	-3.0	1.40	222.06	205.24	166.55	210.14	210.14	238.42	172.98	176.74
Hong Kong, China (66)	540.95	-0.4	497.32	405.30	506.36	537.75	-0.4	2.86	543.07	501.92	407.30	513.90	539.86	580.03	421.41	437.79
Indonesia (27)	164.88	-0.1	151.58	123.54	154.34	281.70	2.9	2.31	165.00	152.50	123.75	156.14	273.81	254.90	164.88	192.51
Ireland (17)	366.65	0.5	337.08	274.71	343.20	348.52	-0.7	2.80	364.94	337.29	273.70	345.34	350.80	376.16	286.62	286.75
Italy (53)	98.50	0.0	90.56	73.80	92.20	129.28	-1.0	1.84	98.54	91.08	73.91	93.25	130.60	105.79	73.26	76.44
Japan (485)	128.03	0.9	117.70	95.93	119.84	95.93	0.8	0.82	126.87	117.26	95.16	120.06	95.16	147.81	107.57	147.80
Malaysia (107)	371.67	-3.8	341.69	278.47	347.90	399.01	-3.2	1.74	386.16	356.91	289.62	365.43	412.34	660.85	371.67	554.93
Mexico (27)	1759.65	-2.1	1617.73	1318.40	1647.13	14933.41	-2.0	1.50	1797.87	1661.66	1348.40	1701.31	15241.99	1864.38	1136.59	1291.59
Netherlands (19)	401.68	-0.9	369.28	300.95	375.98	371.79	-2.0	2.13	405.50	374.78	304.13	383.73	379.32	431.86	297.04	300.67
New Zealand (14)	89.33	-0.1	82.13	[illegible]	[illegible]	[illegible]	[illegible]	4.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (41)	317.65	0.4	292.03	238.00	297.34	323.54	-0.8	1.90	316.51	292.53	237.38	299.52	326.16	330.72	248.20	249.80
Philippines (22)	122.54	-8.1	112.66	91.81	114.70	182.78	-2.9	1.14	126.53	116.95	94.90	119.74	188.23	214.07	122.54	207.01
Singapore (42)	338.64	-1.0	311.33	253.73	316.93	233.15	-1.0	1.33	342.21	316.28	256.66	323.83	235.50	448.01	329.84	396.45
South Africa (44)	339.79	-0.1	312.39	254.59	318.08	348.50	-0.2	2.46	340.25	314.47	255.16	321.98	349.09	370.12	301.49	326.30
Spain (33)	244.72	-0.2	224.89	183.38	229.07	282.40	-1.2	2.35	245.17	226.60	183.88	232.01	285.85	276.05	173.01	177.97
Sweden (49)	483.86	0.1	444.80	362.54	452.89	563.64	-0.2	1.82	483.37	446.75	362.53	457.41	569.87	512.99	358.30	361.42
Switzerland (33)	292.85	-1.2	269.28	219.41	274.12	270.37	-1.9	1.23	296.49	274.02	222.36	280.54	275.68	329.59	221.59	204.53
Thailand (42)	43.36	-0.1	39.85	32.48	40.58	57.21	-0.4	5.39	43.41	40.12	32.56	41.08	57.45	146.69	43.35	144.24
United Kingdom (213)	310.23	0.2	285.21	232.43	290.39	285.21	-0.3	3.50	309.54	286.08	232.15	292.92	286.09	325.29	244.84	246.35
USA (636)	371.27	-0.7	341.33	278.17	347.53	371.27	-0.7	1.66	373.90	345.57	280.43	353.82	373.90	388.67	264.75	270.49
Americas (819)	339.48	-0.7	312.06	254.34	317.73	286.00	-0.7	1.66	341.80	315.90	256.35	323.44	287.95	356.35	242.47	247.46
Europe (713)	268.22	-0.4	247.51	201.71	252.00	257.70	-1.2	2.47	270.24	249.78	202.68	255.72	260.79	284.41	212.81	216.42
Nordic (150)	413.69	0.1	380.33	309.96	387.24	422.25	-0.9	1.76	413.47	382.15	310.10	391.26	425.94	437.88	310.57	313.30
Pacific Basin (881)	144.99	0.5	133.30	108.64	135.72	108.60	0.4	1.32	144.32	133.39	108.24	136.57	108.14	182.15	127.18	161.71
Euro-Pacific (1594)	196.85	0.0	180.97	147.49	184.26	155.28	-0.5	1.98	196.88	181.97	147.66	186.31	156.11	209.12	173.35	194.38
North America (762)	361.55	-0.7	332.39	270.88	338.43	360.98	-0.7	1.66	364.10	336.52	273.08	344.55	363.50	379.38	258.56	264.00
Europe Ex. UK (500)	241.25	-0.7	221.79	180.75	225.82	236.49	-1.7	1.88	242.99	224.58	182.24	229.94	240.54	256.73	191.01	195.34
Pacific Ex. Japan (396)	292.09	-0.8	268.54	218.85	273.42	264.03	-0.8	2.88	294.74	272.41	221.06	278.91	266.15	320.85	260.17	288.28
World Ex. US (1821)	200.97	0.0	184.76	150.57	188.12	172.21	-0.5	1.96	201.05	185.83	150.76	190.26	173.04	212.89	176.94	185.57
World Ex. UK (2244)	250.14	-0.4	229.97	187.42	234.15	223.71	-0.8	1.63	251.21	232.18	188.41	237.72	225.10	262.69	204.12	208.53
World Ex. Japan (1972)	320.26	-0.6	294.43	239.95	299.78	313.73	-0.8	2.00	322.18	297.76	241.62	304.86	316.39	334.83	242.70	246.80
The World Index (2457)	255.32	-0.4	234.72	191.29	238.99	228.40	-0.6	1.82	256.24	236.83	192.18	242.48	230.76	267.21	207.64	211.80

PLEASE NOTE: Amendments to indices 25/8/97 applied to Philippines, related regional indices and The World Index. Latest prices were unavailable for this edition.